

Measuring sharia bank performance by shari'ate value added approach: Sharia enterprise implementation in sharia banking in Indonesia

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ABSTRACT

This study aims to measure the financial performance of Islamic banking in Indonesia using Shari'ate Value Added Approach. This research also analyzes whether there are significant differences of financial performance of Islamic banking using the income statement approach and Shari'ate value added approach. The sample of this study is Islamic banking, with research period 2010-2015, selected using a purposive sampling. Financial performance used in this study is Return on Asset (ROA), Return on Equity (ROE), Net Profit to Productive Asset (NPPA), and Net Profit Margin (NPM). They were analyzed using independent sample t test. The result shows that financial performance of Islamic banking is healthy. There are significant differences of financial performance (ROA, ROE, and NPM) of Islamic banking measured by means of income statement approach and shari'ate value added statement approach. Yet, there is no significant difference of NPPA of Islamic banking measured by the income statement approach and shari'ate value added statement approach. The result of this study provides a significant contribution to developing shariah enterprise theory. For manager of Islamic banking, Bank Indonesia and Sharia Financial Standard Board, they can use these findings to make policies related to the measurement of Islamic Banking performance.

ABSTRAK

Penelitian ini bertujuan untuk mengukur kinerja keuangan perbankan syariah menggunakan pendekatan nilai tambah syariah. Penelitian ini juga menganalisis apakah terdapat perbedaan yang signifikan kinerja keuangan yang diukur dengan pendekatan laba rugi dengan kinerja keuangan yang diukur dengan pendekatan nilai tambah syariah. Sampel penelitian ini adalah perbankan syariah di Indonesia dengan periode penelitian 2010-2015, yang dipilih dengan metode purposive sampling. Kinerja keuangan yang diukur adalah Return on Asset (ROA), Return on Equity (ROE), Net Profit to Productive Asset (NPPA), dan Net Profit Margin (NPM). Alat analisis yang digunakan adalah independent sample-test. Hasil penelitian menunjukkan bahwa kinerja keuangan perbankan syariah adalah sehat. Terdapat perbedaan yang signifikan kinerja keuangan (ROA, ROE, NPM) yang diukur dengan pendekatan laba rugi maupun nilai tambah syariah. Tetapi, tidak terdapat perbedaan yang signifikan rasio NPPA baik diukur dengan pendekatan laba rugi maupun pendekatan nilai tambah syariah. Hasil penelitian ini memberikan kontribusi yang signifikan pada pengembangan syariah enterprise theory. Bagi manajer bank syariah dan dewan penyusun standar keuangan syariah, hasil penelitian ini dapat dijadikan dasar untuk menyusun kebijakan yang terkait dengan pengukuran kinerja bank syariah.

1. INTRODUCTION

The Islamic finance and banking system is part of a wider concept of Islamic economics, whose goal

is to introduce Islamic values and ethics into the economic environment (Muhammad 2005). Due to this ethical basis, Islamic banking is for most Mus-

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lims, not only a commercial transaction system. The ability of Islamic finance institutions to attract investors successfully depends not only on the level of the institution's ability to generate profits, but also on the perception that the institution is seriously concerned with the limits set forth by Islam. Furthermore, Nadia et al. (2014) argues that the good performance of Islamic banks is not only for the achievement and improvement of profit, but on the power requirements and religious beliefs

The main principle that should be developed by Islamic banks in improving financial performance is their ability to provide optimal returns to customers. This means that Islamic banks can manage their funds. In addition, assessment of sharia banks' financial performance can be done by analyzing the published financial report. Financial performance analysis can be done by measuring the level of profitability of sharia bank concerned, using the ratio of Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin (NPM), and Net Profit to Productive Asset

The performance quality of sharia bank can be seen from their ratio of financial performance they obtained. The greater the ratio obtained by the more ability of they can provide better profit-sharing to customers, and vice versa if the acquisition their financial performance ratio is low it shows that their ability to provide profit is also low, in terms of profit sharing to customers.

However, the facts show that currently, the users of financial statements, such as: customers, government, community, and management meet the conditions with the financial statements of Islamic banks cannot be used as the basis of their financial performance analysis appropriately. In fact, in the Basic Framework of Preparation and Presentation of Sharia Bank Financial Statements, it is mentioned that the purpose of financial accounting of Islamic banks is to provide financial information with various information related to the principles of sharia, which is a characteristic of sharia banks. From this explanation, it can be concluded that the purpose of financial statements sharia banks are still oriented to the interests of direct stakeholders (owners of funds).

Considering that sharia bank is a business unit based on Islamic sharia, they should uses sharia accounting in their system.. The purpose of sharia accounting not only provides information related to economic decision-making, but also as the basis of justice and truth, social benefit, cooperation, eliminating usury, and encouraging zakat.

Thus, the purpose of sharia accounting emphasizes the importance of providing information for the calculation of zakat, the implementation of justice and report activities with the principles of sharia. These objectives need to be realized to fulfill the responsibilities of banks to direct stakeholders and indirect stakeholders (Wahyudi 2005).

Furthermore, in relation to the fulfillment of accountability of sharia bank financial statements, Baydoun and Willet (2000); Ratmono, (2004); Mulawarman, Triyuwono and Ludigdo (2006); Fauzi (2012) and Rifai (2013) recommend the Value Added Statement, in addition to the sharia bank financial statements. The value added report according to Baydoun and Willet (2000), is a financial statement that emphasizes the principle of full disclosure and is driven by moral and ethical awareness. The principle of full disclosure is a reflection of management's sensitivity to the process of business activity to the parties involved in it. The sensitivity is manifested in the presentation of accounting information through the distribution of income more fairly. The existence of a value-added report has altered the mainstream of accounting objectives from decision making to social accountability, which is in line with the objectives of sharia accounting (Mulawarman, Triyuwono and Ludigdo 2006). Such a description is in line with the shari'a enterprise theory which essentially puts God at the center of everything so that welfare is merely concentrated on the welfare of all parties involved in it (stakeholders) not just the shareholder (Chaerunnisa 2014).

2. THEORETICAL FRAMEWORK AND HYPOTHESES

Sharia Banking

Sharia Bank is a financial institution whose main function is to raise funds distributed to the people or institutions who need it with a system without interest. In Indonesia, the pioneer of sharia banking is Bank Muamalat Indonesia (BMI). BMI was established in 1991, initiated by the Indonesian Ulema Council (MUI) and the government and the support of the Indonesian Muslim Intellectual Association (ICMI) and several Muslim businessmen. Currently, the existence of Shariah banks in Indonesia has been regulated in the Act ie Act no. 10 of 1998 on Amendment of Law no. 7 of 1992 concerning Banking. The latest is the Act No.21 of 2008. Until 2014, there are 11 Islamic banking institutions in Indonesia. Meanwhile, commercial banks that already have Shariah business units are 23 banks (Sharia

Banking Statistics 2015).

Basically, existing products in sharia banking are the same as those of conventional banking. Its products consist of funding products), lending products, and fee based products. As to what distinguishes it is that in existing products in Islamic banks should not contain elements that are expressly prohibited in Islam, namely the element of gambling (maisyr), elements of uncertainty (gharar), elements of interest (riba), elements of bribery (risywah), and the element of bathil. Instead it can be applied to traditional Islamic traditions or commonly called sharia principles into the banking products (Harahap 2006).

Shariah Enterprise Theory

The development of the Shar'ate Value Added Approach model is based on the Shariah Enterprise Theory (SET) proposed by Triyuwono (1997, 2000a, 2000b). This approach is developed based on a trustful metaphor which is further termed as a zakat metaphor of equilibrium character. SET does not place humans at the center of everything as understood in anthropism, but it places God as the center of everything. God became the center of the return of man and the universe. Therefore, humans on this earth only as a representative of God who has the consequence of obedience to the laws of God, so that welfare is merely concentrated on the stakeholders. Zakat (which is then metaphorically metaphor of zakat) implicitly contains a balance value, i.e. egoistic-altruistic, materialistic-spiritualistic, individual-congregation, and masculine-feminine.

The reality of an organization that is charitable with zakat means that the orientation of business organization is no longer profit-oriented, but oriented to zakat, environment (environment), and stakeholders. Zakat-oriented means that the orientation of the company is to achieve the optimum zakat payment rate. Thus, the value of net income is no longer a measure of performance, but zakat, environment (environment), and stakeholders become criteria for company performance.

The use of sharia enterprise theory as a basic theoretical concept impacts on the special characteristics of transaction recording and accountability reports. According to Mulawarman (2006), transaction recording and accountability report must have a balance of financial accountability-social-environment and material-spiritual-spiritual, meet the principle of halal thoyib, and free usury, and use some quantitative and qualitative financial statements are mandatory.

Shari'ate enterprise theory has a wider range of accountabilities than entity theory. Accountability, in this case, is accountability to God, man, and nature. This kind of accountability serves as a link to sharia accounting to be always associated with values that can raise awareness of God. The consequence of Shari'ate Enterprise Theory acceptance as the basis of the development of sharia accounting theory is the recognition of income in the form of value-added, not income in terms of profit as adopted by Entity Theory (Triyuwono 2000b; Mulawarman 2009).

The concept of Shari'ate Value Added Approach

The concept of Sharia added-value comes from the treatment of ta'wil (metaphor) on the concept of zakat. Shari'ate value-added according to Mulawarman (2006, 292-303) is added value (zakka) of material (financial, social and environmental) that has been purified (tazkiyah) starting from the formation, result to distribution (zakka) everything must be lawful and not contains usury (spiritual) and thayib (inner).

The implications of this understanding by Mulawarman (2008) are: 1) the process of VA formation within the limits allowed syara '(halal) and beneficial / soothing inner (thoyib). On the contrary, violating economic activity is haram. 2) the growth of assets and business mechanisms shall be undertaken to eliminate excessive properties in the acquisition of property and conduct free usury business activities. 3) VA distribution must be done optimally for the good of others, evenly, and not mutually negate. Regardless of their participation should be recorded and recognized as a potential right of VA division

Value Added Statement (VAS) is also related to Human Resources Accounting and Employee Reporting, especially in terms of the information presented. This Value Added Statement overcomes the lack of information presented in the main financial statements, Balance Sheet, Profit and Loss, and Cash Flow. This is because all these reports fail to provide information on: 1) Total productivity of the company; 2) Share from any stakeholders or team members who participate in the management process, namely: shareholders, creditors, employees, community and government.

VAS tries to address its shortcomings, in addition to providing information on compensation provided to employees and other stakeholders to the company's information. If conventional financial statements emphasize the information on

earnings, VAS, instead, emphasizes wealth-generating efforts. Since shareholder profits (capitalist) usually only describe the rights or interests of shareholders are not the whole team involved in the company's activities.

Value added is the increase in the value of wealth generated by the productive use of all the sources of corporate wealth by all existing teams including the owners of capital, employees, creditors, and the government. Value added is not equal to profit. Profit shows earnings for shareholders while value-added measures increase wealth for all stakeholders.

This VAS is an alternative to income statement for conventional accounting. In this case, Baydoun and Willet (2000) explain that VAS is a financial report that further applies the principle of full disclosure and is driven with moral and ethical awareness. Due to such a principle, at least, it does not reflect the management's sensitivity to the business activity process to the parties involved, so that the sensitivity is manifested in accounting information through a more equitable income distribution. This means that with the company's VAS has changed its mainstream accounting objectives from the decision making that is blurred to shift to social responsibility. The VAS concept is one of the proofs of reporting that describes Islamic values.

By applying the VAS of harmony with the principles of sharia namely justice, honesty, full disclosure and the bank can realize their accountability. Triyuwono (2007: 21) explains that the added value of sharia is the economic, mental, and spiritual added value obtained, processed and distributed in a lawful way. Furthermore, the VAS is constructed as a manifestation of the unity of corporate goals not only in the social, but also the accountability to the Creator. This means that the purpose of financial statements become the media of management accountability vertically and horizontally. With this goal setting it is hoped that there is no bias between the goals and accounting practices with the purpose of our life as servants of God.

The SVAS is a form of accountability for the mandate given to Allah in the form of the creation and spreading of God's grace to other human and natural environment in the form of business activity. The concept of accountability can be seen in the SVAS construction on the item of zakat. The obligation to pay zakat is a form of management responsibility to the surrounding community in an effort to purify the property owned by the compa-

ny before it is distributed (Chaerunnisa 2010).

Some uses of VAS (Harahap 2006 in Damastuti 2010): 1) this concept is considered objective to be considered a valid information as the basis for calculating awards in the value of money; 2) the increase of gross value is very useful information to know the reinvestment number (retained earnings and depreciation); 3) this report is deemed to be able to bridge the accounting and economic interests by disclosing the amount of wealth in the measurement of national income; 4) the increase in net value may be the basis for the distribution of wealth rather than the increase of gross value only; 5) the increment of net worth fits into the basis of calculating employment productivity bonuses by providing allowance for changes in capital; 6) by subtracting the depreciation expense will avoid double counting which may occur if there is an exchange of assets between two companies; 7) Increase in net value is very profitable for profit concept for all. This will encourage team spirit or sense of belonging within the company. Each party recognizes its contribution in the process of increasing the company's wealth; 8) should remunerated employees not only comes from salaries but also increase in wealth, this new concept in the modern business world. Information for this purpose is supplied by VAS; 9) can be a good forecasting medium for economic events that can affect a company's health; 10) is suitable for economists in the calculation of national income.

Mulawarman (2006) defines the added value of sharia as a value added (zakka) which occurs materially and has been purified (tazkiyah) spiritually (non-material). The process of zakka formation that occurs from zakka that has been through tazkiyah process. The principle of tazkiyah is a form of balance of SVA (Shari'ate Value-Added) substance, ie zakat. Zakat is, therefore, a symbol of purification from the increase that must be worth the balance and justice.

Hypothesis Development

This research hypothesis is formulated based on conceptual theory and the results of empirical findings in previous studies. The hypothesis to be tested in this research is as follows:

Hypothesis of the Difference Ratio Return On Asset (ROA)

Return On Assets (ROA) shows the company's ability to generate profits, from all assets or assets the bank has. The greater the ROA ratio of a bank, the greater the level of profit achieved by the bank

and the better the bank's position in terms of asset use. In the income statement approach, the construction of the income statement emphasizes the direct stakeholder, which is shown in the rights of the third party to the profit sharing, zakah, and taxes which are the parties that have indirectly contributed to the profit. The item is treated as the burden of functioning reduce revenue. In addition, the employee's item as a party directly contributing to the achievement of profit, also treated as an expense. Thus, the so-called profit in this concept, is the nominal value of gross income after deducting the items (Wahyudi 2005 in Chaerunnisa 2014).

The SVAS concept (as the implementation of sharia enterprise theory) is a manifestation of the management's concern to other parties involved either directly or indirectly to the process of obtaining Sharia added-value. The awareness is realized with the willingness of management to distribute value added to all parties in a fair way, namely the customer as a third party who has used his services, the employee as a party who has devoted the power and owned effort for the company to get profit, the government (through tax), the owner capital (through dividends), society (through zakat), and the environment.

For that reason, ROA ratio calculated by the profit and loss approach with the value-added approach will give different result.

The results of Wahyudi's (2005) study proved that ROA ratio using the income and loss approach was in healthy condition. The ROA ratio using the value-added approach shows an increase. This is due to the condition that, in calculations, the value added is influenced by the cost of inputs and depreciation. Then, Fauzi (2012) mentioned that quantitative Value Added Approach has higher ROA ratio although there is a small difference compared to Income Statement Approach.

Wahyudi's research results (2005); Fauzi (2012) and Rifai (2013) provide empirical evidence that there is a significant difference in ROA ratio if analyzed by profit and loss approach and sharia added value. Based on the above description, then formulated the hypothesis as follows:

H1: There is a significant difference in sharia bank's ROA ratio if analyzed by profit and loss approach and value added.

Hypothesis of the Difference of Ratio Return on Equity (ROE)

Return on Equity is a ratio used to measure the ability of banks to gain profit and overall opera-

tional efficiency through the use of own capital. This ratio is obtained by dividing the current year's profit by total capital. The ratio of ROE is an important indicator for shareholders and potential investors to measure the bank's ability in obtaining net income associated with dividend payments. The higher the ROE, the higher the profits the bank gets, and the better the bank's profitability (Rahmawati 2008).

The results of Fauzi's research (2012), Kartika (2013) and Rifai (2014) provide empirical evidence that there are significant differences in ROE ratios if analyzed by profit and loss approach and sharia added value. Furthermore, Fauzi (2012) mentioned that in Value Added Approach as implementation of Sharia enterprise theory quantitatively has a higher ROE ratio, although there is a small difference compared to the Income Statement Approach. Yet, Kartika (2013) concluded that the differences in performance analysis results ROE ratios in quantity due to the application of the theory used in the approach of profit and loss and added value is different. Thus, the value-added approach shows the results of the analysis of the ratio of financial performance is greater than using the profit and loss approach.

The concept of SET is a zakat-oriented concept, environment and stakeholders so that the profit is distributed equally to the parties involved in organizational management; in this case, it is distributed to the owner as dividends. Based on the above description, the second hypothesis is stated as follows:

H2: There is a significant difference in sharia bank ROE ratio if analyzed with profit and loss approach and sharia added value

Hypothesis of Difference of Ratio Net Profit towards Productive Asset (NPPA)

Rindawati (2003) defines productive assets as investments in bank funds, both in rupiah and in foreign currency, in the form of loans, securities, interbank placements, investments, commitments and contingencies on administrative account transactions. The NPPA ratio is calculated by dividing net income before tax by total earning assets. This ratio is used to measure the bank's ability to manage the funds invested in the total productive assets.

There is a difference of concept between profit concept in profit and loss approach and value added concept on value added approach. In the profit and loss approach, the concept of profit is an excess of income above the cost during an ac-

counting period. Conversely, the concept of value added approaches emphasizes the distribution of the added value it creates to those who are entitled to receive it.

Profit is not the same as the added value. Profit shows earnings for direct stakeholders, while on the value added approach (as an implementation of sharia enterprise theory) value-added measures increase wealth for all stakeholders (Harahap 2006).

The results of Fauzi (2012) and Rifai (2013) showed that there is a significant difference in NPPA ratio between profit and loss approach and value added approach. Therefore, the third hypothesis to be tested is as follows:

H3: There is a significant difference in NPPA ratio of syariah bank if analyzed with profit and loss approach and sharia value added

Hypothesis for Difference of NPM Ratio

Net Profit Margin (NPM) is a ratio used to measure the bank's ability to generate net income from its principal operating activities (Fauzi 2012). To find the net profit margin by dividing the amount of net income with operating income then multiplied by 100%. The higher the NPM ratio of a bank, it shows the better results. Conversely, if the NPM ratio results are lower, then the results show the worse (Sulistri 2010 in Fauzi (2012)).

There is a different concept of net income between profit and loss approach and value added approach (as implementation of shariah enterprise theory). In the profit and loss approach, the concept of net income is the result of the company's business after deducting all the burden of earning the income, and is the income for the direct capital stakeholder while in the added value approach (as the implementation of sharia enterprise theory) wealth for all stakeholders (Harahap 2006).

The studies by Sulistri (2010), Fauzi (2012), Rifai (2013), and Wiranti indicate that there is a significant difference in the ratio of NPM of sharia banks calculated by profit and loss approach and value added. The difference is caused by differences in the concept of net income calculation between profit and loss approach and added value. Thus, the fourth hypothesis tested is as follows:

H4: There is a significant difference in NPM ratio of Sharia bank if analyzed by profit and loss approach and sharia added value.

3. RESEARCH METHOD

Population and Sample

The population were the sharia commercial banks

(BUS) operating in Indonesia period 2010 to 2015. Commercial Banks were taken with the total number of 10 banks.

Sampling Method

This study uses a purposive sampling method that is sampling according to predetermined criteria. These criteria are: 1) Sharia Banks' financial report for 2010-2015 period; 2) All the variables were available completely in the study period, including: ROA, ROE, NPPA and NPM

Types and Source of the Data

The data used in this research is secondary data. The data is data in the form of financial statements of sharia banks. From the financial statements, researchers can measure the financial performance of Islamic banks, including ROA, ROE, NPPA and NPM. This data is sourced from Indonesia Stock Exchange (IDX), Bank Indonesia (BI) and Statistics data base. They were from Islamic Banks as well as the website of the relevant sharia bank. Data collection methods used in this study is Documentation, which is done by documenting the required research data.

Variables and the Research Operational Definition

The variable consists of financial performance of sharia banks.

X1: Shariah banks' financial performance with profit and loss approach. It is a description of performance or ability of Sharia banks performance in generating profit.

X2: Sharia banks' financial performance with value added approach is a description of performance or ability of syariah bank performance in generating added value.

The financial performance to be measured includes the following ratios:

1. Return On Asset (ROA)

In this case, ROA is used to measure the bank's management capability in gaining the overall profit (Bank Indonesia 2014). From this, it can be seen that the higher the ROA ratio, the greater the level of profit achieved by the bank and, therefore, the better the bank's position in terms of asset use. Here are the measurements of ROA and bank credit criteria:

$$ROA = \frac{\text{Profit before Tax}}{\text{Total of Assets}} \times 100\% \text{ (income statement approach).} \quad (1)$$

$$ROA = \frac{\text{Added Value}}{\text{Total of Assets}} \times 100\% \text{ (syariah value added approach).} \quad (2)$$

Table 1
Process of selecting the Research Sample

Commercial Bank operating until 2015	11
Subtracted: Sharia commercial banks that do not have complete data	1
The bank that became the research sample	10
Observation period of 6 years (2010-2015)	6
Sample observation	60

Source: Secondary data processed.

Table 2
List of Research Sample

No.	Name of Sharia Commercial Banks	Code
1.	BCA Syariah	BCAS
2.	BNI Syariah	BNIS
3.	BRI Syariah	BRIS
4.	Bank MayBank Syariah Indonesia	BSM
5.	Bank Muamalat Indonesia	MBS
6.	Bank Panin Syariah	BPS
7.	Bank Syariah Bukopin	BSB
8.	Bank Syariah Mandiri	BSM
9.	Bank Syariah Mega Indonesia	BMS
10.	Bank Victoria Syariah	BVIC

Source: Bank Indonesia 2015.

Criteria: < 1%: not healthy; > 1% - 1.9% less healthy; > 2% - 3% healthy; > 3%: very healthy (Bank Indonesia 2011).

2. Return on Equity (ROE)

ROE is a ratio used for measuring the capability of banks to generate net income from their own capital used by banks (Bank Indonesia 2014). From the standpoint of capital owners, ROE is a more important measure because it reflects their interests. ROE is measured as follows

$$ROE = \frac{\text{Profit before Tax}}{\text{Total of Modal}} \times 100\% \text{ (income statement approach) .} \quad (3)$$

$$ROE = \frac{\text{Added Value}}{\text{Total of Modal}} \times 100\% \text{ (syariah value added approach) .} \quad (4)$$

Criteria: ROE ≥ 12% Healthy; ROE ≤ 12% less healthy (Bank Indonesia 2011).

3. Ratio of Net Profit to Productive Asset (NPPA)

The NPPA ratio is used to determine the bank's ability to manage the funds invested in the total earning assets (Rifai 2013). The formula used is:

$$NPPA = \frac{\text{Net Profit before Tax}}{\text{Total Productive Assets}} \times 100\% \text{ (income statement approach) .} \quad (5)$$

$$NPPA = \frac{\text{Added Value}}{\text{Total Productive Assets}} \times 100\% \text{ (syariah value added approach) .} \quad (6)$$

Criteria: 0.00% - ≤ 10.35%: healthy; 10.36% - ≤

12.60%: quite healthy; 12.61% - ≤ 14.85%: less healthy; < 0.76% not healthy (Bank Indonesia 2011).

4. Net Profit Margin (NPM)

NPM measures the bank's efficiency in generating net income from its operational income (Bastian and Suhardjono 2006). Thus, the higher the NPM ratio the more efficient the bank is in expending the costs associated with its operations (Weston and Copeland 1998).

$$NPM = \frac{\text{Net Profit before Tax}}{\text{Operational Income}} \times 100\% \text{ (income statement approach) .} \quad (7)$$

$$NPM = \frac{\text{Added Value}}{\text{Operational Income}} \times 100\% \text{ (syariah value added approach) .} \quad (8)$$

Criteria : NPM ≥ 5% : healthy; 3% ≤ NPM ≤ 5%: Quite healthy; NPM ≤ 3%: Less healthy (Bank Indonesia 2011).

Data Analysis Technique

The analysis steps for the data performed are as follows: 1) Calculating the performance ratios of Sharia Bank with the Profit-Loss approach; 2) Calculating financial ratios is based on the Shar'ate Value Added Statement; 4) Conducting a descriptive analysis; 5) conducting a difference-test (t-test); 6). Make conclusions and suggestions for sharia bank management and for further research.

Table 3
Average Comparison of Bank Sharia Financial Ratios with ISA and VAS for 2010-2015

Income Statement Approach						
Year	2010	2011	2012	2013	2014	2015
ROA (%)	1.54	1.55	1.69	1.58	1.22	1.91
ROE (%)	7.57	9.51	12.36	12.63	9.75	17.76
NPPA (%)	2.86	2.74	3.16	2.30	0.30	2.67
NPM (%)	0.81	0.71	1.40	1.08	0.45	7.72
Value Added Statement Approach						
Year	2010	2011	2012	2013	2014	2015
ROA (%)	3.81	5.71	4.80	5.04	4.60	1.18
ROE (%)	17.46	11.41	9.92	12.70	14.70	2.93
NPPA (%)	0.029	0.50	0.056	0.053	0.036	1.18
NPM (%)	5.75	6.37	5.05	5.69	5.31	22.73

Table 4
Descriptive Statistics of Sharia Banks' Finance Ratios in Indonesia with ISA and VAS Period 2010-2015

Income Statement Approach				
	ROA	ROE	NPPA	NPM
Average	1.54	10.36	0.11	0.89
Minimum	0.08	0.44	0.08	0.08
Maximum	4.48	32.87	0.96	2.71
Deviation Standard	1.07	9.29	0.17	0.75
Value Added Statement Approach				
	ROA	ROE	NPPA	NPM
Average	4.49	13.24	0.04	5.63
Minimum	0.24	2.90	0.01	0.08
Maximum	13.34	47.55	0.14	15.54
Deviation Standard	3.54	10.71	0.03	4.52

Source: Analysis Result.

4. DATA ANALYSIS AND DISCUSSION

Process of Sample Selection

At this stage the researcher chooses the sample according to the predetermined criteria. The sample selection and sampling process obtained are shown in Table 1.

Table 1 shows the results of selecting the sample. Of the 11 sharia banks listed in Bank Indonesia in 2015, there was one bank (Bank Jabar Sariah) that does not have complete data to be excluded. The total sample in this study was 10 BUS with observation period of 6 years (2010-2015). They were obtained by 60 the observation. The list of those banks is as in Table 2.

Table 3 shows that the financial ratios of sharia banks, from 2010-2015. It experienced fluctuating developments, both calculated by the income statement approach and value added statement. Based on the income statement approach, the av-

erage ROA ratio increased in 2011. However, the increase was not significant, i.e. from 1.54% to 1.55%. Furthermore, in 2012, the average becomes 1.69%, then fell down in 2013, 2014, 2015 respectively to 1.58%, 1.22%, and 1.9%

Based on the Value Added Approach approach, the average ROA ratio increased from 3.81% 2010 to 5.71% in 2011. In 2012, the average decreased to 4.80% and increased again in 2013 to 5.04%. However, it decreased in 2014 and 2015 to 4.60% and 1.18%. Such fluctuation also occurred on the average of other ratios, namely ROE, NPM and NPPA.

Results of Descriptive Statistic Analysis

The descriptive analysis is intended to see the characteristics of data. It was done using the average, minimum value, maximum value, and standard deviation of each ratio. They were calculated by

Table 5
Results of Hypothesis Testing

Hypotheses	Variables	t-computed	Sig. (2 tailed)	Conclusion
H1	ROA	-4.847	0.001	Different (H1 accepted)
H2	ROE	-4.467	0.002	Different (H2 accepted)
H3	NPPA	-0.960	0.398	Not Different (H3 Rejected)
H4	NPM	10.017	0.000	Different (H4 Accepted)

the income statement approach and value added statement approach. The results of both income statement approach and value added statement approach are presented in Table 4.

In Table 4, the income statement approach shows that the ROA variable has an average value of 1.54%, minimum value of 0.08%, and a maximum value of 4.48% with a deviation standard of 1.07. In the data, it appears that the standard deviation is lower than the average. That means there is a variation on the ROA ratio. This indicates that the effectiveness of the company in utilizing the amount of assets owned to create profit is good. Therefore, the value of ROA becomes big. On the contrary, the value added statement approach shows that the ROA variable has an average value of 4.49, the minimum value of 0.24 and the maximum value of 13.34 with the standard deviation of 3.54. From the data, it can be seen that the standard deviation is lower than the mean, which means there is variation on ROA ratio. This indicates that the effectiveness of the company in utilizing the amount of assets owned to create added value is good so the value of ROA is higher..

In the variable of income approach, the ROE has an average value of 10.36, mini-mum value 0.44 and a maximum value of 32.87 with a standard deviation of 9.29. From these data, it appears that the standard deviation is lower than the mean, which means there is a variation on the ROE ratio. This indicates that the effectiveness of the company in utilizing the amount of capital owned to create profit is good so the value of ROE becomes big. In contrast, in the value added statement approach, it shows that the ROE variable has an average value of 13.24, a minimum value of 2.90 and a maximum value of 47.55 with a standard deviation of 10.71. From the data it is seen that the standard deviation is lower than the mean, which means there is a variation on the ROE ratio. This indicates that the effectiveness of the company in utilizing the amount of capital owned to create added value is good so that the value of ROE is higher.

In the variable of income statement approach, the NPPA has an average value of 0.11 minimum

value of 0.08 and a maximum value of 0.18 with de-viasi standard of 0.17. From the data, it is seen that the standard deviation is higher than the mean, which means the variation in NPPA ratio is small. This indicates that the effectiveness of the company in obtaining operating income is not good enough so that the obtained net profit is low. Yet, in value added statement approach, it indicates that NPPA variable has average value equal to 0.04, minimum value 0.01, and maximum value 0.14 with deviation standard equal to 0.04. From the data, it shows that the deviation standard equals. It means that there is no variation on the NPPA ratio. This indicates that the effectiveness of the company in obtaining operating income is not good so the added value being obtained is low.

In the variable of income approach, the NPM has an average value of 0.89 minimum value of 0.08 and a maximum value of 2.71 with de-viasi standard of 0.75. From the data, it is seen that the standard deviation is lower than the mean, which means there is variation in the NPM ratios. This indicates that the effectiveness of the company in utilizing the amount of productive assets owned to create profit is good so that the NPM value is higher. Yet, the value added statement approach variable shows that the NPPA has an average value of 4.49, a minimum value of 0.24 and a maximum value of 13.34 with a deviation standard of 3.54. From the data, it can be seen that the deviation standard is lower than the mean, which means there is variation in the ratio of NPM. This indicates that the effectiveness of the company in utilizing the amount of productive assets owned to create added value is good so that the value of NPM is higher.

Results of Hypothesis Testing

Hypothesis testing was done using a paired sample t-test. The results of hypothesis testing are shown in Table 5.

Results of Hypothesis 1 (H1)

From Table 5, the t-value on equal variance assumed is -4.847 with a significant probability of $0.001 < 0.05$. It can be concluded that the ROA

ratios on the income statement approach and value added approach are different. This means that the first hypothesis that there is a significant difference in ROA ratio if calculated by income statement approach and value added approach, it is accepted. These results support the research by Wahyudi, (2005), Fauzi (2012), and Rifai (2014)

Result of Hypothesis 2 (H2)

From Table 5, the value of t on equal variance assumed is -4.487 with a significant probability of $0.002 < 0.05$ it can be concluded that the ROE ratio in the income statement approach and the value added approach is different. This means that the second hypothesis that there is a significant difference in the ratio of ROE if calculated by the approach of income statement approach and value added approach is accepted. These results support Wahyudi's research (2005), Fauzi (2012), Kartika (2013) and Rifai (2013).

Results of Hypothesis 3 (H3)

From Table 5, the t-value on equal variance assumed is -0.960, with a significant probability of $0.398 < 0.05$. Thus, it can be concluded that the NPPA ratios based on the income statement approach and value added approach are the same. This means that the third hypothesis, which states that there is a significant difference in the NPM ratio if calculated by the approach of income statement approach and value added approach, is rejected. This result does not support the research of Fauzi (2012) and Rifai (2013).

This hypothesis is not supported by the results of the calculation of NPPA ratio of syariah banks. In the study period, it did not give a relatively different result between the profit and loss approach and the added value of sharia. This can be shown in descriptive statistics.

Results of Hypothesis 4 (H4)

From Table 5 the t-value on equal variance assumed is 10.017, with a significant probability of $0.001 < 0.05$ it can be concluded that the NPM ratio in the income statement approach and value added approach is different. This means that the fourth hypothesis that there is a significant difference. The NPM ratios when calculated by the income statement approach and the value added approach is accepted. These results support Rifai's research (2013).

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

This study provides evidences that can be concluded as the following 1) The financial condition of Islamic banking in 2010-2015 was in a healthy condition, both being measured by profit or loss approach or sharia value-added approach; 2) The average cost of sharia bank finance fluctuated from 2010 to 2015; 3) There are significant differences in financial ratios of ROA, ROE, and NPM of sharia banking if calculated by income statement approach and value added approach. Yet, the NPPA ratio did not show a significant difference. The Shari'ate Value Added approach is a more appropriate method for measuring the financial performance of sharia banks because this approach is based on Sharia Enterprise Theory, which focuses on the balance of the world life and the hereafter. For that reason, it can be implied that it could ensure a more equitable distribution of income or profit to all those involved in organizational management.

This study has limitations that may affect the results, namely: 1) Research sample is limited to BUS only, does not measure UUS and BPRS so it can not be generalized to all sharia banking. 2) There is no standard sharia value added concept, so the researcher's proposed concept may be biased. So for future research it should: 1) expand the sample not just my BUS so that it can represent the entire sharia bank; 2) using the concept of added value sharia more measurable so that the result is more valid.

The practical contribution of this research is especially for managers and managers of sharia banks. They should arrange value-added report beside income statement. For the users of the sharia bank financial statements, they should not solely base their decisions based on the performance measured by the income statement but also the value-added statement.

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