



Analysis of Financial Reports in Measuring Performance in Sharia Banks

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Abstract

Analysis of a financial statement is like looking at the report cards for a company's money. It helps people inside and outside the company make decisions. By using different mathematical tools, we can understand how well the company is performing in the future and how it will perform in the future. We use a variety of ways to measure money, such as looking at how much money a company has compared to how much it owes or how much money it makes compared to how much it spends. Financial statement analysis is closely related to the field of accounting. The company's financial statements can be analyzed using several financial ratios, with the analysis of these financial statements it can be seen the condition and development of the company that has been achieved by the company in the past and when it is currently running, both private business entities and state-owned companies. The financial statements that have been analyzed can be used as an auxiliary fund for making company managerial decisions. Analysis of financial statements is basically to find out and evaluate a company's financial statements to predict the condition of the company's financial performance in the future which also aims to provide more consideration for companies with higher levels of profitability, and the level of risk.

1. INTRODUCTION

Various types of companies or industries must have proper, systematic and good accounting. Funding or financing is the most important element for small and large businesses. A business that grows but is not sustainable means that it is unable to maintain business continuity. One factor is failure or delay in adapting to changing economic conditions and advances in the digitalization of information technology. Just look at Adam Air, Batavia Air in Indonesia or let's say Nokia. A company grows one decade and loses the next. Companies must adapt by implementing product innovation and creativity as well as by monitoring the achievement of the company's strategic goals (Suparyanto and Rosad (2015, 2020)).

Financial report analysis is one of the tools that companies use from time to time to monitor the achievement of strategic goals and financial performance. Performance is a description of the degree of implementation of company operations in achieving the goals, objectives, vision and

mission as outlined in its strategic plan. According to Kasmir (Winarno, 2017), he came to the conclusion that financial reports are reports that present the financial condition of a company at a certain time or for a certain period. In PSAK No. 1 (Saari, 2017), financial reports are a structured presentation of the position of a company's assets, finances and income. This report contains information about the organization being measured. Financial reports are more meaningful when the items in the financial statements allow future events to be estimated using trend assessment and evaluation techniques. The influence of these financial reports can help analysis to describe key interactions between financial report factors and can be used as a basis for evaluating the ability to achieve management objectives (Izzah et al., 2022).

Bank operations need to be evaluated, both by management, shareholders, government and related parties, in order to maintain public trust in the bank. Bank performance evaluation is part of the annual financial report. The purpose of financial reports in the Islamic banking sector is to



provide information that is useful for making decisions about financial status, results and changes in banking financial status. Until now, performance measurement in Islamic banking has only been limited to measuring financial performance or, from a financial perspective, based on financial metrics such as CAMEL and EVA. However, evaluation of sharia banking performance based on CAMELS and EVA financial calculations has several weaknesses. The uniqueness of Islamic banks allows performance measurements from other aspects that are specific to Islamic banks.

The development of sharia banking in Indonesia has experienced significant development, based on December 2016 OJK data on the development of sharia banking, based on the number of registered banks: 12 Sharia Commercial Banks (BUSO), 22 Sharia Business Units (UUS) and 168 Sharia People's Finance Banking (BPRS) In 2016, total bank assets reached IDR 356,504 billion, consisting of sharia banks IDR 254,184 billion and sharia business entities IDR 102,320 billion. This figure increased to Rp. 2015. Of the bank's total assets of Rp. 60,242 billion in 2015, to Rs. 10,000. 296.262 billion. The largest balance sheets are still dominated by Islamic banks. Therefore, bank performance needs to be evaluated, both by management, shareholders, government and stakeholders, in order to maintain public trust in the bank. In his estimation, bank profits are included in the annual financial statements. The purpose of financial reports in the sharia banking sector is to provide information regarding financial conditions, performance and changes in financial conditions in the banking sector, which is useful for decision making. 10 banks were founded in the last 10 years, namely the period 2006-2016. Meanwhile, from the birth of the first sharia bank until 15 years later, namely the period 1990-2005, there were only 3 sharia banks (Hapipah, 2019)

The growth of Islamic banks which is in line with the rapid growth of Indonesia's population is an advantage. According to the Central Statistics Agency (BPS), based on 2014 and 2015 census data, Indonesia's population is 254.9 million people, the majority of whom are

Muslim (more than 80%). The increase in the market share of sharia banks is mainly assisted by growing awareness among Muslims about the correct religion, including how to manage their money. according to Dr. Halim Alamsyah, Deputy Director of Bank Indonesia. As a country with the second largest Muslim population, Indonesia should be a pioneer and center for sharia finance in the world. This is not an impossible dream because Indonesia's potential to become a global sharia financial center is very large, including:

(i) the large Muslim population is a potential customer for the Islamic finance industry; (ii) positive economic prospects reflected in relatively high economic growth (6.0-6.5%) supported by stable economic fundamentals; iii) improving Indonesia's credit rating to investment grade, which will increase investors' interest in investing in the domestic financial sector, including sharia finance; and (iv) has abundant natural resources that can be used as a basis for sharia financial transactions. Formulating good strategies improves performance and encourages growth and adaptation to changes in the company's internal and external environment. Sharia banking as an organization that is trusted by the public must not only strive for high profit distribution, but must also pay attention to the interests of the community, improve the economy and increase welfare. According to Robert S. Kaplan and David P. Norton (2000), the definition of the Balanced Scorecard defines it as a company strategy. In addition to measuring future financial performance. The factors that influence performance, which include customer perspectives, internal business processes, and learning and growth, are based on a clear and rigorous vision of goals and concrete actions.

2. LITERATURE REVIEW

2.1 Performance Measurement in Sharia Banks

The Big Indonesian Dictionary defines achievement as performance or achievement. Measuring organizational performance must be done by ensuring implementers understand and measure achievements, ensure achievement of agreed action plans, monitor and evaluate



performance by comparing work plans and implementation, and offer objective rewards and punishments for the success of implementation which is measured in accordance with the measurement system used. . agreed , making it a communication tool between employees and managers to increase organizational efficiency, ensure that decisions are made objectively and uncover problems when they arise, and help public managers measure strategy achievements through the financial and non-financial measurement tool Assess ((Mohamad Mahsun, 2006).)

Performance measurement produces data and data that has been well analyzed and provides useful information to increase managers' knowledge when making managerial decisions or actions. Increasing organizational effectiveness (Vincent Gaspersz, 2005)

Performance measurement includes four main elements of performance measurement (Mohamad Mahsun, 2006), namely:

- a) Determine company goals, objectives and strategies
- b) Formulate performance indicators and measurements
- c) (3) Measuring the level of achievement of company goals and targets
- d) Performance evaluation.

Balanced Scorecard Hansen Mowen (2014) Balanced scorecard is a strategic management system that identifies a strategy-based accountability accounting system. The balanced scorecard translates the organization's mission and strategy into operational objectives and performance measures in four perspectives, namely:

1. perspective : explains the economic consequences of actions taken in 3 other perspectives.
2. perspective : identifying the market and customer segments in which the business unit will compete.
3. Internal business process perspective : explains the internal processes required to provide value to customers and owners.
4. Learning and growth perspective: identifying the capabilities an organization needs to

achieve long-term growth and improvement. The perspective of the three main factors that make this possible is employee capability, information system capability and employee behavior.

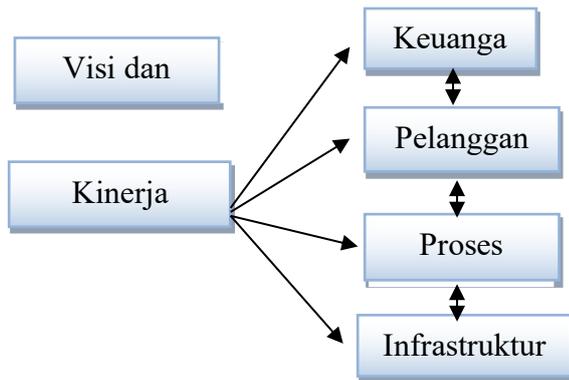
2.2 Linking performance measures to strategy

According to Hansen Mowen , rebalancing size in 2014 requires linking size to organizational strategy. For example, it is important to align performance quantities with performance factors and link them to operations strategy. Performance factors are actions that make something happen and are indicators of how results are achieved. The size of the output is also important because it determines the success or failure of the strategy implemented. The strategy map describes the quality improvement strategy.

The learning and growth perspective can be seen through the training dimension, the process perspective can be seen through the restructuring and manufacturing process, the customer perspective can be seen through customer satisfaction and market share, the final financial perspective is due to sales managers and profits. This strategy analysis can test whether the strategy produces the expected results.

1. Financial perspective, setting short-term and long-term financial performance goals. Refers to the global financial consequences from the other three perspectives. The financial perspective has three strategic themes: revenue growth, cost reduction, and asset utilization.
2. Revenue growth, with the company's goal of increasing the number of new products, creating new applications, developing customers and markets can increase revenue growth.
3. Cost Reduction, reducing costs per product unit, per customer or per distribution channel is an example of a cost reduction goal.
4. Asset Use, improving asset utilization is the main goal (Murdiyanto & Bagana, 2017)

Framework Object:



The subjects of this research are Islamic commercial banks in Indonesia which used the census method in the 2010-2015 research period. This research uses field research whose aim is to observe the behavior of residents in a certain area or events in a certain area. In certain areas. Apart from that, it is equipped with basic information in the form of interviews or questionnaires with employees/customers of sharia commercial banks. This research describes the specific situation of the target or research area, after which critical analysis can be carried out using a specific measurement model. draw conclusions about this situation.

3. RESEARCH METHODS

The data used is secondary data. The data sources for this research are the annual financial reports of Indonesian sharia commercial banks 2011-2017, reports from the Financial Services Authority, as well as reports from Bank Indonesia and related agencies. The data processing technique for this research uses a computer program. (Sugiyono, 2012)

4. RESULTS AND DISCUSSION

This section presents the research results. Research results can be accompanied by tables, graphs (images), and/or charts. The discussion section explains the results of data processing, interprets findings logically, links them to relevant reference sources.

4.1 Research result

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4.2 Research Discussion

A company that has a higher or lower ROA does not influence the company to take action income smoothing. That's it proves that ROA is not a determining factor in the level of income smoothing. Sarra & Alamsyah (2018) stated that the lack of influence of profitability (ROA) on income smoothing was probably due to changes in investors' views on company performance .

Measuring the performance of Sharia Commercial Banks and Sharia Business Units needs to be carried out to ensure that implementers have measured achievement, ensure that agreed achievement schemes are achieved, monitor and evaluate performance by comparing work schemes and implementation, provide objective rewards and punishments for implementation achievements that have been achieved . measured according to an agreed measurement system, used as a communication tool between employees and leaders in an effort to improve organizational performance, ensures that decision making is carried out objectively and reveals problems that occur and aims to help public managers assess the achievement of a strategy through financial and non-financial measuring tools. financial (Mahsun, 2006).

Financial Perspective (Financial Perspective) is a way of measuring performance carried out using. ROI (Return On Investment) is measuring the success of the performance of Sharia Commercial Banks through the use of investment (total assets) to generate profits. ROA: Return on Assets, namely the ratio of profit before tax (annualized) to average total assets.

Table 1 Financial Ratios of Sharia Commercial Banks and Sharia Business Units ROA Ratios from 2009 to 2015

RATI	2009	2010	2011	2012	2013	2014	2015
ROA	1.48 %	1.67 %	1.79 %	2.14 %	2.009 6 %	2.38 %	2.30 %

Sharia Banking Statistics Report processed ROA annual profit increased from 2009 to 2012, in 2013 it decreased by 0.14 due to the economic recession, then in 2014 it increased



quite significantly, in 2014 and 2015 it decreased slightly. This shows that sharia banking, although experiencing ups and downs, still has the potential to develop along with the increasing religion of the population. Even though the ROA of Islamic banks fell in 2013, it immediately increased again in 2014. Therefore, the factors that influence this must be evaluated so that it does not continue in the following years.

Sharia banking is being reformed. From year to year, the growth of customers, both third party fund customers and financial customers, is increasing, this is in line with population growth and all religious citizens, including non-Muslims, are now very busy. don't do anything with this sharia bank because sharia banks are fairer and more profitable. (Mahsun, 2006)

5. CLOSING

5.1 Conclusion

The aim of financial report analysis is essentially to identify and evaluate the company's financial reports to predict the state of the company's financial performance in the future, and tends to give greater consideration to the company's profitability and level of risk. Financial report analysis has a form of measurement, namely liquidation method metrics, activity metrics, solvency metrics, profitability metrics, and investment metrics. Sharia banking is being reformed. From year to year, the growth of customers, both third party financial customers and financial customers, is increasing, this is in line with population growth and all citizens, including religious communities, including non-Muslims, are currently very busy. don't do anything with this sharia bank because sharia banks are fairer and more profitable.

5.2 Suggestion

Suggestions for the results of this research and discussion to further improve the analysis in measuring performance in Islamic banks so that undesirable things do not happen in the future.

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