THE EFFECT OF FINANCIAL RATIO TO NET INCOME FOR THE PERIOD 2013-2017: STUDY AT PT. BANK SYARIAH MANDIRI INDONESIA

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Abstract: This research aims to find out if the financial ratio has a significant positive effect on net profit for the period 2013-2017 at PT. Bank Syariah Mandiri Indonesia. This research uses quantitative methods using time series data on the financial statements of Bank Syariah Mandiri Indonesia period 2013-2017, purposive sampling used as a method of selection of this research sample. The methods used are descriptive statistical analysis, standard assumption tests and multiple linear regression equation tests with SPSS 21, with a significant rate of 5%. Based on the results of this study, it finds that the financial ratio positively does not have a significant effect on the profit of Bank Syariah Mandiri Indonesia from the f test result obtained from f count of 1,384 with a significant value of 0.284>0.05 because the probability is much higher than 0.05 so it can conclude that there is no significant influence on the variable financial ratio to the profit of Bank Syariah Mandiri Indonesia Period 2013-2017.

Keywords: financial ratio, independent bank, net income

INTRODUCTION

The existence of sharia banking in the banking system in Indonesia appeared in 1991, in line with law No. 7 of 1992 by Bank Indonesia. On November 1, 1991, the first Sharia Bank in Indonesia established named Bank Muamalat Indonesia, and after the publication of the government regulation set out in Law No. 10 of 1998 on Dual Banking System divides into two types, namely banks with conventional operating systems and banks with sharia operational systems (Angraeni, 2006).

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This made its existence more interesting to look at, especially after the issued fatwa by MUI (Majelis Ulama Indonesia) stating that the bank interest as usury and forbidden. He is the All-mighty, the All-wise. In QS. An-Nisa/4:161 which states, "And because they eat usury, when indeed they have been forbidden from it, and because they incorrectly eat people's property. We have provided for those who disbelieve a painful chastisement."

Based on the Financial Services Authority Circular Letter No.10/SEOJK.03/2014 on The Assessment of The Health Level of Sharia Commercial Banks and Sharia Business Units in assessing the bank's health level, bank management needs to pay attention to risk-oriented principles, proportionality, the materiality of significance and structured comprehensively.

The assessment process is conducted thoroughly and systematically and focused on the bank's main problems. The analysis conducted integrated, taking into account the interconnectedness between risk and between the health assessment factors of banks and subsidiaries that must be consolidated. Analysis should be supported by the basic facts and relevant ratios to show the level, trend, and level of problems faced by banks, here are trends and levels of non-performing finance (NPF), Finance to Deposit Ratio (FDR), and Operating Expenses, Operating Income (BOPO) (Jati, 2018). The problem that arises in the field is whether the financial ratio has a significant positive effect on net profit for the period 2013- 2017 at PT. Bank Syariah Mandiri? From this issue, the authors have a research objective that is to find out if the financial ratio has a significant positive effect on net profit for the period 2013-2017 at PT. Bank Syariah Mandiri..

LITERATURE REVIEW

Financial Ratio Theory

The definition of Financial Ratio Theory according to experts is that, according to James C. van Horne, the financial ratio is an index that connects two accounting numbers and is obtained by dividing one number by another. Financial ratios are using to evaluate the company's financial condition and performance. Another definition, according to Harahap (2006), states that a financial ratio is a number obtained from the comparison of one post of financial statements with another post that has a relevant and significant relationship. Meanwhile, according to Cashmere (2009), it states that the financial ratio is an index that connects two accounting numbers and is obtained by dividing one number by another in one period or several periods.

Some other of Fahmi (2013), states that financial ratios are instruments of analysis of the company's achievements that explain the relationship and financial indicators, which are intended to show changes in financial conditions in the past and help illustrate the trend of such changes patterns, to then show the risks and opportunities inherent in the company in question. Besides, understanding financial ratio according to Syafri (2010), in addition to the advantages ratio analysis has, this technique has some limitations that must be realized during its use so that we do not get it wrong in its use.

Signalling Theory

According to Sari and Zuhrotun (2006), signalling theory explains why the company has the urge to provide financial report information to external parties. The company's drive to provide information is because there is an asymmetry of information between the company and an outside party where the company knows more information about the company and prospects than outside parties (investors, creditors). The lack of outside information about companies causes them to protect themselves by providing low prices for companies.

Signal theory suggests how the company should signal to users financial statements. This signal is information about what management has done to realize the owner's wishes. Signals can be promotions or other information stating that the company is better than other companies. A financial ratio is a number obtained from the result of a comparison of one financial report post with another that has a relevant and significant relationship.

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Financial Ratio Indicators

The financial ratio indicators used in this study are NonPerforming Finance (NPF), Financing to Deposit Ratio (FDR), and Operating Cost to Operating Income (BOPO), each understanding of the indicators is as follows:

Non-Performing Finance (NPF) is a ratio that demonstrates the bank's management's ability to manage non-performing loans from the entire credit provided by the bank. This ratio represents the quality of credit assets whose credibility is less smooth, doubtful, and stalled. The higher this ratio, the lower the bank credit in question because of the higher the number of non-performing loans (La Pade, 2020).

(Non-Performing Loans)/(Total Credits) x 100%

Financing to Deposit Ratio (FDR) describes the bank's ability to pay back withdrawals that customers have made by relying on the credit provided as a source of liquidity.

Credit/(Third Party Funds) x 100%

Operating Cost to Operating Income (BOPO) is the ratio of conducting its operations, especially credits. Considering the main activities of banks in principle are acting as intermediaries, namely raising funds and channelling funds (e.g. community funds).

(Operating Expenses)/(Operating Income) x 100%

PROFIT

Operating profit is the difference between realized income arising from transactions during a period and costs associated with such income (Abidin, 2013). Profit is an excess of revenue from the cost of all post income (gain) and loss, expense excluding interest, tax and revenue share (Raifah and Erawati, 2015). Profit chances are calculating by reducing current period profit with the profit of the previous period then divided by profit in the previous period (Warsidi

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and Pramuka, 2016). According to Rahardjo (2010), net income can calculate by the following formula:

Profit before tax=Net income - tax profit

Profit before tax is Operating profit plus operating results and minus exceptional operating expenses. Income tax is an income tax payable by the company. According to Budi Rahardjo (2010), net income or net profit after income tax earn by reducing profit or income before tax with income tax payable by the company.

Meanwhile, according to Stice, Stice and Skousen (2010), declaring profit after tax or net profit is profit after tax deduction. Net income transfer into retainer earnings forecasts or Retainer Earnings. With a picture like below:

Net income = profit - tax expense

Profit is gross profit in a given period whereas tax expense is the cost of corporate tax in a certain period.

In the concept of pragmatic profit theory on sharia should reflect Islamic ethical values where the users of the profit report must behave Islamic. Therefore, the concept of profit at this level can discuss with an ethical approach.

According to Triyuwono (2001), the ethical approach in accounting theory emphasizes the concepts of fairness, truth, and worthiness. Therefore, information on profit should: a) use accounting procedures that may provide equal treatment to all parties, b) the profit and loss statement shall present a true and accurate statement, and c) accounting data shall be appropriate, unbiased and impartial to specific interests.

Hypothesis

The hypothesis is formulating based on a frame of thought that is the short answer to the formulated problem. The hypothesis in this study is that the financial ratio expected to have a significant positive effect on net income for the period 2013-2017 at PT. Bank Syariah Mandiri.

RESEARCH METHODS

Types of Research

This research is a type of quantitative research where this research is determined to be Bank Syariah Mandiri, using quarterly financial statements from 2013-2017. The proxy used to calculate profit management is the value of total accruals or total accruals managed using the Healy model as used in Padmantyo research (2010).

Population and Samples

The population used in this study is the financial report for the period 2013-2017 at Bank Syariah Mandiri Indonesia, and the sample in this study is the data of financial statements for the quarter 2013-2017 at Bank Syariah Mandiri Indonesia

Data Source

Secondary data sources in this study come from the official website of Bank Syariah Mandiri and Otoritas Jasa Keuangan (OJK). Besides, data sourced from literature studies such as books, journals that can be supported by other secondary data.

Data Collection Techniques

This data collection technique researchers use secondary data in the form of time series data with quarterly scale taken from sharia banking financial statements, in this case, Namely Bank Syariah Mandiri in the period 2013 to 2017. The data is obtained directly from the report of the official website of the Financial Services Authority (OJK) and the official website of Bank Syariah Mandiri.

Data Analysis Techniques

This study uses multiple linear regression analysis methods. The method of data analysis in this study is to use statistical calculations, namely with the application of SPSS version 21. Before the data in the analysis used SPSS version

21, these researchers used Microsoft Excel 2010 to collect raw data from financial statements.

RESULTS AND DISCUSSIONS

Descriptive Statistics

Table 1
Descriptive Statistical Analysis Results

Variable	N	Minimum	Maximum	Mean	Std. Deviation
NP F	**20**	1.10	4.70	3.2980	**1.05075**
FD R	**20**	77.66	95.61	84.3750	**5.58146**
BO PO	**20**	69.24	98.46	91.0735	**6.97909**
PROFIT	**20**	**0.06**	**8869.00**	**444.0027**	**1983.03894**

Source: Processed Data, the Year 2019

Analysis of descriptive statistics on table 4 shows that there are 20 samples in each variable studied. The NPF variable shows that there are 20 samples with a minimum value of 1.10, Maximum value of 4.70 with a Mean average value of 3.2980 and a Standard Deviation value of 1.05075.

Multiple Regression Analysis

Table 2
Multiple Linear Regression Analysis Test Results and Regression Equations

Variable	Regression Coefficient	t-Test	Sig.
Constant	13591.587	0.676	0.509
NPF	-911.532	-1.384	0.185
FDR	-160.133	-1.247	0.230
BOPO	37.002	0.279	0.784
F-Test = 1.384			
R Square = 0.206			

Source: Processed Data, the Year 2019

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Based on the summary of the table of regression analysis results as in the table above, obtained regression equations are:

PROFIT = 13591,587 - 911,532 NPF – 160,133 FDR + 37,002 BOPO

Based on the regression equation above shows a constant value of 13591,587 stating that if the variables NPF, FDR and BOPO are considered constant, then the average PROFIT is 13591,587. Besides, the results showed that: a) The NPF regression coefficient of -911,532 indicates that each decrease of 1% then on average, the value of PROFIT will rise by -911,532%. The negative coefficient value (-911,532) indicates that NPF on profit negatively affects earnings. b) FDR's regression coefficient of -160,133 indicates that each decrease of 1% then on average the value of PROFIT will rise by -160,133%. The value of the negative coefficient (-160,133) indicates that FDR on earnings has a negative effect. c) BOPO's regression coefficient of 37,002 indicates that each increase of 1% then on average the value of PROFIT will increase by 37,002%. The positive coefficient value (37,002) indicates that BOPO on profit has a positive effect.

Hypothesis Test

Table 4
Partial Test (T-Test)

Model		Unstandardized Coefficients		Standardized Coefficients	T-Test	Sig.
		B	Std. Error	Beta		
1	(Constant)	13591.587	20118.204		.676	.509
	NPF (X1)	- 911.532	658.390	-.483	- 1.384	.185
	FDR (X2)	- 160.133	128.391	-.451	- 1.247	.230
	BOPO (X3)	37.002	132.631	.130	.279	.784

a. Dependent Variable: PROFIT (Y)
Source: Processed Data, the Year 2019

Based on the table's t value as well as the t count and sig value, the following results can found: a) In the NPF variable is obtained a calculated t value of -1,384and a sig value. 0.185 so because the table's t value is -1.1384 < 2,120 and the sig value. > 0.05, i.e. 0.185 > 0.05, this indicates that the NPF variable has no significant effect on the profit of the independent sharia bank, then H1 is rejected. a) On the FDR variable is obtained a calculated value of -1,247and a sig value. 0.230 so because the table's t value is -1,247< 2,120 and the sig value. > 0.05, i.e. 0.230> 0.05, this indicates that the FDR variable has no significant effect on the profit of independent sharia banks, then H1 is rejected. c) In the variable BOPO is obtained a calculated t value of 0.279 and a sig. value of 0.784 so that because the table's t value is -1,247< 2,120 and the sig value. > 0.05 which is 0.784> 0.05, this indicates that the FDR variable has no significant effect on the profit of independent sharia banks, then H1 is rejected.

Data Analysis Results

Based on the results of research and analysis of data that has been conducted in previous discussions assisted with the Sofware SPSS 21 program, it can find that the results of the regression analysis showed that three variables namely NPF, FDR, and BOPO from the results of the F test in table 10 obtained f count of 1,384 with a significant value of 0.284 > 0.05. Because the probability is much higher than 0.05 so it can conclude that there is no significant simultaneous influence of NPF, FDR, and BOPO on sharia banking profits in Indonesia for the period 2013-2017 and based on the results of regression analysis obtained R-square 20.6 which means the contribution of NPF, FDR, and BOPO.

CONCLUSION

Based on the results of analysis and discussion on the effect of financial ratio to net profit in the period 2013-2017 on independent sharia banks, it can draw the following conclusions: Based on the value of the T-table and also t count and sig value. Then it can be known the result as follows: a). In the variable NPF is obtained a calculated t value of -1,384and a sig value of 0.185 so because the t value of the table is -1.1384 < 2,120 and the sig value. > 0.05 i.e. 0.185 > 0.05,

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this indicates that simultaneously affecting PROFIT by 20.6% and the remaining 100% – 20.6% by 79.4% is influenced by other unreviewed variables. NPF variables have no significant effect on the profits of independent sharia banks, then H1 is rejected. In the variable FDR is obtained at the calculated value of -1,247and a sig value. of 0.230 so that because the table's t count value is -1,247< 2,120 and the sig value. > 0.05 which is 0.230> 0.05, this indicates that the FDR variable has no significant effect on the profit of the independent sharia bank, then H1 is rejected. Meanwhile, the BOPO variable obtained at-count value of 0.279 and a sig value of 0.784 so that because the table's t-count value is -1,247< 2,120 and the sig value. > 0.05 which is 0.784> 0.05, this indicates that the FDR variable has no significant effect on the profit of the independent sharia bank, so H1 rejected.

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