Measurment Bank Muamalat's Performance Using Financial Ratios

novifadhila@umsu.ac.id
universitas muhammadiyah sumatera utara

irmachristiana@umsu.ac.id
universitas muhammadiyah sumatera utara

ABSTRACT

This research is quantitative descriptive. The purpose of this study is to analyze the performance of Bank Muamalat using the Financial Ratio in the form of Liquidity, Solvability and Profitability ratios. The object of this research is Bank Muamalat. The type of data used is quantitative data sourced from published financial statements. The results of this study are: Financing to Deposits Ratio is in good condition, Capital Adequacy Ratio is in very good condition, Return On Asset shows bad condition, Return On Equity is in bad condition, Net Interest Margin in 2017 is not healthy and Operating Expenses to Operating Revenues efficiently.

Keywords: company performance, financial ratios

INTRODUCTION

The world of banking is currently experiencing intense competition due to the large number of banks operating both nationally and internationally. However, banks that have the best performance will attract many customers so that they are expected to be able to increase their growth.

Good corporate performance will create a good image for the company and will bring good things for the company, such as: the more public interest in the company, attracting potential investors, the higher the trust of the partners so that the growth of the company will be better. One way to assess company performance that is very commonly used is by analyzing financial ratios, both in conventional banks and Islamic banks.

Bank Muamalat is a bank that has been the originator of the sharia system in banks in Indonesia. This should make it one of the banks that is very experienced in terms of operational management (Novi and Isna, 2018). But nowadays it is seen that the stretch of operations at Muamalat bank began to lag behind other Islamic banks. This can be seen from the many reduced service service offices, which in 2015 amounted to 446 to 363 in 2016 can be seen from the financial statements of bank muamalat. This shows that there is a contraction in the assets of Bank Muamalat, which if it occurs continuously will have an impact that is not very good for the company.

Return on Assets which always decrease every year (below 1.22%; BI circular letter, 2011) shows that the company's ability to generate profits from asset management is not optimal. While the Return On Equity which always experiences conditions less than 17.5% indicates that the company's ability to manage equity to generate profits is not maximized (BI Circular, 2011). But in the 2017 financial report where Return On Asset and Return On Equity decreased Bank Muamalat actually received many awards from within the country. Like the Best Syariah Tbk

Bank in Indonesia 2017 Book 2 at the Indonesia VI Banking Award, and the Best 2017 Indonesian Islamic Bank at the Digital Innovation Award.
In 2018 PT Bank Muamalat Indonesia Tbk again won the title as the best Islamic bank in Indonesia from Global Finance magazine. The award ceremony was held on October 13, 2018 in Bali to coincide with the IMF / World Bank Annual Meetings. This seems to contradict the condition of the financial ratios experienced by Bank Muamalat.

Financial statements

Financial statements are information that describes the condition of a company's financial statements, and further information can be used as an illustration of the company's financial performance. in other words financial statements are a measure of company performance (Fahmi, 2012: 21). Another definition of financial statements: is an end result of the accounting process for a certain period (Raharjapura, 2011: 6).
Another statement regarding financial statements in a company: financial statements are actually the output of the accounting process or cycle in a business accounting entity (Harahap, 2013: 19).

Purpose of Financial Statements

In general, financial statements aim to provide financial information for a company, both at certain times and at certain periods. Financial reports can also be arranged suddenly in accordance with the needs of the company and periodically (Kasmir, 2018: 10).

Usefulness of Financial Statements

The financial statements are needed to measure the results of operations and development of the company from time to time and to determine the extent to which the company achieve its goals (Fahmi, 2012: 23). Financial statements are basically the results of an accounting process that can be used as a communication tool between financial data or the activities of a company with parties interested in the data or activities of the company. So that financial statements hold a broad role and have a position that affects decision making.

Forms of Financial Statements

The forms of financial statements are:
a. Income statement,
The Profit and Loss Report is a report that shows the company's ability to generate profits during an accounting period or one year (Rudianto, 2012: 61).
b. Statement of Changes in Equity
Change in Equity Report is a report that shows changes in equity during an accounting period due to business transactions in that period (Rudianto, 2012: 61).
c. Financial Position Report
The Financial Position Report is a list that shows the position of the resources owned by the company, as well as information from where these resources are obtained (Rudianto, 2012: 61).
The balance sheet consists of three parts:
1) Assets
Assets are assets or assets owned by the company, both at certain times and certain periods (Kasmir, 2018: 39).
2) Debt / liabilities
Obligations are economic sacrifices made by the company in the future in the form of surrender of assets or services that are caused by actions or transactions in the past.

3) Equity
The last component of the balance sheet is equity, which is the difference between assets and liabilities. This capital is an investment made by the owner of the company.
d. Cash flow statement
Also referred to as cash flow reports, cash flow reports are used by companies to show the cash inflows and outflows of companies in certain periods. Moreover, the cash flow statement can also function as an indicator of the amount of future cash flows based on the latest cash flow data. This type of report is also the instrument of accountability for cash inflows and outflows during the reporting period.
e. Note to Financial Statements
Namely in the form of both financial and non-financial information that aims to provide an explanation of the accounting policy policies used by the company, details of the financial statement post, explanation of company debt contracts and others.

Financial performance

Financial performance is an analysis conducted to see the extent to which a company has implemented it using the rules of financial implementation properly. Like by making a financial report that meets standards and provisions in SAK (Financial Accounting Standards) or GAAP (General Accounting Accounting Principles), and others (Fahmi, 2012: 2).
The analysis of the bank's financial performance has the following objectives:
1. To determine the success of bank financial management, especially the condition of liquidity, capital adequacy and profitability achieved in the current and previous years.
2. To find out the ability of banks to utilize all assets owned in generating profits (Abdullah, 2005; 120).

The existence of correct information and an understanding of the performance of the bank, it is expected that public trust in banks will increase. Calculations carried out to analyze bank financial performance can be done by using a common method, namely by using financial ratio analysis.
Comparing the value of financial ratios obtained from year to year is the next step. This step needs to be done to determine the condition of the results of the calculation whether good or not good.
The development of the company's financial performance will be seen from year to year so that by looking at these developments the company can make plans for the future and undesirable developments must be corrected immediately and directed to the intended goals.
The next step after making a comparison is to interpret the results obtained. Interpretation is a combination of the results of comparisons with applicable theories. The results of the interpretation reflect the successes and problems achieved by the company in its financial management. Understanding of financial problems faced by companies will be able to provide the right solution (Audri et al, 2013).

Benefits of Corporate Performance Assessment

Benefits for management performance assessment is to:
1. Manage organization operations effectively and efficiently through motivating employees to the fullest.
2. Helping decision making related to employees such as promotions, transfers and stops.
3. Identify employee training and development needs and provide promotion criteria and evaluation of employee training programs.
4. Provide feedback for employees how employers value their performance.

5. Providing a basis for distribution of awards (Praytino, 2010: 9).

Definition of Financial Ratios

The financial ratio is an activity comparing the numbers in the financial statements by dividing one number by another (Kasmir, 2018: 104). Comparisons can be made between one component with other components in one financial report or between components that exist between financial statements. Then the comparable numbers can be numbers in one period or several periods. Ratio analysis will be useful when compared to the standard ratio.

Financial Ratio Analysis

Comparative analysis (ratio analysis) is a technique or equipment to evaluate the financial condition and performance of a company organization. (Darmawi, 2012: 201).
Types of banking financial ratios:

1. Liquidity ratio, is a ratio that is useful to analyze the company's ability to fulfill its obligations. Financing to Deposit Ratio (FDR) is a ratio to measure the amount of financing provided compared to the amount of equity funds and public funds used.
   Financing to Deposit Ratio is formulated as follows (SE BI 13/30 / DPNP December 16, 2011):
   FDR = $\frac{Financing}{Third\ Party\ Funds + own\ capital}$ x 100
   Based on Bank Indonesia Circular No. 26/5 / BPPP dated May 2, 1993, the amount of this FDR determined by Bank Indonesia must not exceed 110%. That means the bank may provide credit or financing in excess of the amount of third party funds collected as long as it does not exceed 110%. So, the allowable FDR is 80% <FDR <110%, meaning that the minimum FDR is 80% and the maximum FDR is 110%. (A. Riawan Amin, 2009: 41).
2. Solvability Ratio is an analysis used to measure a bank's ability to fulfill its long-term obligations or the ability of a bank to fulfill its obligations in the event of a bank liquidation. Capital Adequacy Ratio (CAR)
   CAR is a bank's performance ratio to measure the capital adequacy of a bank to support risk-bearing assets, such as loans.
   This ratio can be formulated as follows: CAR = $\frac{capital}{Risk\ Weighted\ Assets}$ x 100 (Kasmir, 2018: 286).
3. Profitability ratio is a ratio that measures a company's ability to generate profits. The profit is obtained from the capital and assets it has. (Syamsudin, 2011: 59)
   a. ROA (Return On Asset); Return On Asset is one of the ratios used to measure the ability of bank management to obtain profits (profits) as a whole. The greater the ROA, the greater the level of profit achieved by the bank and the better the bank's position in terms of the use of its assets.
   The return on assets are formulated as follows:
   $ROA = \frac{nett\ profit}{averageof\ assets}$ x 100% (SE BI 13/30/DPNP 16 Desember 2011).
   b. ROE (Return On Equity); Return On Equity is one of the ratios used to measure management's ability to manage its own capital to generate profits for the company (in this case the owners). If the greater the ROE, the greater the level of profits obtained in terms of managing the company's assets. Return On Equity is formulated as follows: $ROE = \frac{nett\ profit}{average\ of\ equity}$ x 100% (SE BI 13/30/DPNP 16 Desember 2011).
   c. Net Interest Margin (NIM) is a ratio used to analyze net interest income compared to productive assets of a company (http://www.sahamgain.com). NIM can be calculated using the formula: NIM = (Net Interest Income) / (Average Earning Assets) x 100% ((SE BI 13/30 / DPNP December 16, 2011).

d. Operating Expenses to Operating Revenues (BOPO) is a ratio that describes banking efficiency in carrying out its activities. Operational expenditure is the interest expense given to customers while operating income is interest earned from customers. The smaller the value of BOPO means the more efficient the bank is in operation. (Http://www.mediabpr.com/kamus-bisnis-bank). Another definition of the ratio of operating costs (BOPO) is the comparison between operating costs and operating income. This ratio is used to measure the level of efficiency and ability of banks to carry out their operations (Nuresya Meliyanti, 2012). Operating Expenses to Operating Revenues (BOPO) are calculated as follows: $BOPO = \frac{operating\ expenses}{Operating\ Income}$ x 100%

RESEARCH METHODS

Research Approach

This research approach is descriptive quantitative research method that allows researchers to get the broadest understanding of the object of research at any given moment.

Types and Data Sources

The type of data used is quantitative data. Source of data comes from publication financial reports.

RESEARCH RESULTS AND DISCUSSION

Research result

The data used in this study are commonly used financial ratios, namely: liquidity ratios in this case Financing to Deposits Ratio, solvency using Capital Adequacy Ratio, and profitability in the form of Return On Assets, Return On Equity, Net Interest Margin and Operating Expenses to Operating Revenues (BOPO).

The entire data used can be seen in the following table:

RATIO	BI Standard	2015	2016	2017	Average	INFORMATION
FDR	85%-100%	90.30	95.13	84.41	89,9	Well
CAR	8% - 12,5%	12.00	12.74	13.62	12.79	Very good
ROA	0,25%-1,25%	0.20	0.22	0.11	0.177	Not good
ROE	5%-12,5%	2.78	3.00	0.87	2.217	Bad
NIM	≥ 2	4.09	3.21	0.21	2.51	Healthy
BOPO	<100%	97.36	97.76	97.68	97.6	Efficient

Sumber: Indonesian Bank

Seen in the FDR value table which is the Liquidity ratio in 2016 has increased from the previous year, but has decreased in 2017.

While CAR (Solvency ratio) increases every year.

In the Profitability ratio the value of ROA in 2016 experienced a slight increase, but in 2017 it decreased to 0.11%; while the value of ROE in 2016 has increased, but in the following year, 2017 has decreased by 2.13%, which indicates something is happening that is not good for the company. The annual NIM for 3 years has decreased, until 2017 it has the lowest value of 0.87%; while the BOPO value is around 97 every year for 3 years (2015 to 2017).

Discussion

Liquidity Ratio

Financing to Deposit Ratio (FDR) is a ratio used to measure the liquidity of a bank in repaying withdrawals of funds made by depositors by relying on financing provided as a source of liquidity. The higher the Financing to Deposit Ratio (FDR), the higher the funds channeled to Third Party Funds (TPF). With large Third Party Funds (DPK), the bank's return on assets (ROA) will increase, so that Financing to Deposit Ratio (FDR) has a positive effect on Return on Assets (ROA).

Bank Muamalat in 2015 had an FDR ratio of 90.30 which means that the ability of banks to repay funds withdrawals made by depositors by relying on financing as a source of 90.30% means that the ability of bank liquidity is still in conditions permitted by Bank Indonesia.

In 2016, FDR changed 4.83% to 95.13%, indicating that there was an increase in the FDR value that showed the ability of Bank Muamalat to make payments to depositors who made withdrawals by financing as the source. FDR value in 2016 has increased due to third party funds that have increased as well as financing that is almost the same amount, so that the resulting ROA also increases. This is in line with the statement of Riyanto as President Director of PT Bank Syariah Bukopin (BSB) "The finance to deposit ratio (FDR) of Islamic banking is considered to be effective in supporting high yields if it is in the range of 95% -98%. This means that from 100% of funds collected from the community, 95% -98% of them are channeled in the form of financing. The Managing Director of PT Bank Syariah Bukopin (BSB), said the range of figures was very effective to provide competitive returns. Because, the margin generated from financing to customers tends to be higher than if funds were placed on other instruments such as Bank Indonesia deposit facilities and sukuk "(Bisnis.com, 2014).

In 2017 the value of Bank Muamalat FDR decreased by 10.72 to 84.41, indicating that the ability of Bank Muamalat to repay the withdrawal of its depositors by relying on financing as the main source of decline. Increased third party funds followed by increased financing, but not too significant from the previous year so that the resulting ROA also decreased. But the average value of FDR in 2015-2017 shows that the condition of banks is good with a value of 89.9%.

Solvability ratio

Bank Muamalat's Solvency Ratio in the form of Capital Adequacy Ratio (CAR) which is the bank's capital adequacy against risk-bearing assets shows an increase every year which is in the range of 12% - 13%. This shows that the condition of the capital adequacy of Bank Muamalat is in good condition for its operational activities in the form of financing distribution. And on average the bank's capital adequacy to assets with a value of 12.79 is very good.
Profitability Ratio
The profitability ratios used are Return On Assets (ROA), Return On Equity (ROE), Net Interest Margin (NIM), and Operational Costs to Operating Income (BOPO).

Return On Assets (ROA)

Return on Assets (ROA) in 2015 and 2016 are in the range of 0.2, which means every RP. 1 assets owned by the company only generate a net profit of Rp. 0.002, but in 2017 it becomes 0.11, which means that the profit generated decreases to Rp. 0,0011 and the average net income generated every year is Rp. 0.00177. This shows that the ability of the company to produce net income using its assets is not good, because the value of each year is below the provisions of Bank Indonesia.

Return On Equity (ROE)

The 2015 ROE of 2.78% shows the company's ability to generate net income using company capital of Rp. 1 is only Rp. 0.0278. This shows that the bank has not been able to manage its capital properly to generate net income for the company. Likewise, in 2016 there was no significant change, only increased by 0.22% to 3.00%. Whereas in 2017 it decreased to 0.87% which indicates the company's ability to generate net income with poorly owned capital. The average ROE for 3 years is 2.217 under the provisions of Bank Indonesia.

Net Interest Margin (NIM)

NIM is a financial ratio that shows the company's ability to manage earning assets to generate Net Interest Margin.
In 2015 the NIM was 4.09% meaning that the company was in a healthy condition, as well as 2016 with a value of 3.21% in accordance with the Indonesian Bank's provisions regarding the bank's health conditions which indicated that the bank was in good health. However, in 2017 Bank Muamalat's NIM decreased to 0.21%, this indicates that the company's ability to manage its productive assets to produce a net income margin is not good. This means that the company is in an unhealthy condition.
The average NIM value from 2015 to 2017 which ≥ 2 shows that the company is in a healthy condition, because it can manage its productive assets to generate net income margins in accordance with Bank Indonesia regulations.

***Operating Expenses to Operating Revenues* (BOPO)**

BOPO is a financial ratio that measures the ratio of operational costs to operating income, with the provision that ≤ 100% is said to be efficient.
From 2015 to 2017 Bank Muamalat's BOPO value is in the range of 97.7%, this indicates that the company is efficient in managing operational costs against its operating income.

Conclusion

1. Financing to Deposits Ratio (FDR) is the ability of companies to fulfill their short-term obligations in the form of withdrawals of depositors with financing as the main source of good average, as well as FDR in 2015, 2016 and 2017.
2. Capital Adequacy Ratio (CAR) with a value of 12 to 13.62% which is in accordance with Bank Indonesia regulations. This means that the bank's capital adequacy of assets is very good, for each year and on average.
3. Annual Return On Assets (ROA) is under the provisions of Bank Indonesia, meaning the ability of banks to manage their assets to generate net income in bad conditions.
4. 2015 Return On Equity (ROE) of 2.78%, 2016 amounting to 3.00% and 2017 amounting to 0.87%, which each year is under the provisions of Bank Indonesia indicating that the ability of banks to manage their equity to generate profits in adverse conditions.
5. The average Net Interest Margin (NIM) indicates that the bank is in good health, as well as 2015 and 2016. However in 2017 the NIM <2 indicates that the bank is in an unhealthy condition.
6. Operational Costs for Operational Income (BOPO) which is 97% annually, as well as the average BOPO shows that banks are using their operational costs efficiently.

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