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Author for correspondence:
Miftahur Rahman
e-mail: 214130100004@mhs.uinsaizu.ac.id

Analysis of Profit Management in Bukopin Islamic Bank in 2015-2019 with Modified Jones Model

¹Miftahur Rahman, ²Moh. Roqib, ³Khusnul Khotimah, ⁴Bety Indah Safitri

^{1,2,3}UIN SAIZU Purwokerto

⁴IAI An-Nawawi Purworejo

This study discusses the Analysis of Earnings Management in the Financial Statements of Islamic Bank Bukopin 2015-2019. The purpose of this research is to find out the reason for the practice of earnings management in the financial statements of the Bukopin Islamic bank using the modified Jones model. This study uses a quantitative descriptive approach. The data used is secondary data in the form of the annual financial report of the Bukopin Sharia bank for 2015-2019 with the data collection method based on purposive sampling. The test used in this study is a descriptive statistical test. The results of this study indicate that the Bukopin Islamic bank has been detected to carry out earnings management in its financial statements with a pattern of increasing and decreasing the value of earnings. In 2015, 2018 and 2019 the value of discretionary accruals is positive, which means that banks carry out earnings management by increasing the value of their profits. This is based on getting a bigger bonus so that it recognizes future income into the present. Meanwhile, in 2016 and 2017 the value of discretionary accruals was negative, which means that the bank has carried out earnings management by reducing the value of its earnings. This is based on not getting political attention, so that they can get facilities and conveniences from the government such as subsidies and minimizing tax costs. Earnings management practices are very influential on financial statements because earnings management is done by playing with the accrual component of the financial statements. This is because the accrual component is a component that does not require physical evidence of cash so it is easy to manipulate.

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1. Introduction

Financial statements are reports that describe the condition of a company's wealth in one period. The purpose of making financial statements is to provide information about the financial position, performance and changes in the financial position of a sharia entity that is useful for stakeholders in making decisions. (Ikit, 2018) Financial presentation must be presented reasonably because in general, financial information is not free from the risk of presentation that is considered less honest than what should be described.

Financial statements are a form of manager's responsibility for the business he manages and is a measure of his success. The main highlight in the financial statements is the profit figure which will be associated with the management presentation and become an indicator in measuring management performance. If at certain times the manager is unable to achieve the specified target, then the manager may take advantage of the flexibility allowed by accounting standards in preparing financial statements for the modification of reported profits by conducting earnings management. The most common way to do profit management is by carrying out an accrual policy. In the sharia perspective, this accrual method is allowed in accordance with DSN fatwa No. 14/DSN/MUI/IX/2000 concerning the business profit sharing distribution system in Islamic financial institutions, which stipulates that in principle, LKS may use an accrual basis or cash basis system in financial administration.

The processing of this accrual system is commonly called discretionary accrual. The value of discretionary accrual is widely used as a proxy for measuring the profit management of a company. Therefore, many steps have been taken to make the bank look good and in good condition by practicing profit management. As happened to Bukopin Conventional bank. In 2016, the net profit obtained was

recorded at Rp 1.08 trillion, but after revision it fell to Rp 183.56 billion. This decline occurred in provision revenue and credit card revenue, which was initially Rp 1.06 trillion to Rp 317.88 billion. The manager of Bank Bukopin explained that this happened because of abnormal recording in terms of credit card revenue, namely the data between bank Bukopin credit card income is different from reality. This recording error has occurred for a period of five years. There are at least 100,000 credit cards whose records are incorrect. In addition, one of the parameters still generates profits, interest is also congested, but it is still said to be smooth.

This revision does not only occur at the Conventional Bukopin bank, but also in the financing of the subsidiary of the Bukopin Sharia bank (BSB) related to the addition of the reserve balance for losses on the impairment of certain debtors. As a result, the allowance for impairment losses on financial assets was revised from Rp 649.05 billion to Rp 797.65 billion. This caused the company's expenses to increase by IDR 148.6 billion. Quoted from www.cnbcindonesia.com From the phenomena of the problem, it can be seen that the Bukopin Sharia bank is experiencing abnormal problems in its finances, so it is trying to make the financial statements look good in front of stakeholders. Based on this background, the author is interested in knowing whether the cause of the abnormal financial statements that make the Bukopin Syariah bank carry out profit management practices and the author chooses the Bukopin Central Jakarta Sharia bank because the bank is experiencing problems in its financial statements.

2. Research Method

The method used in this study is a quantitative method with a data collection technique in the form of documentation. The type of data used by the researcher is secondary data in the form of annual financial reports of Bank Syariah Bukopin in 2015-2019 which has been published by the official account of Bank Syariah Bukopin. The data analysis techniques used by the author

are in the form of modified jones models and descriptive statistics using Microsoft Excel.

3. Result and Discussion

Profit Management

According to Healy and Wahlen, profit management is the manipulation of a company's financial statements by managers based on their own judgment, with the aim of confusing users about the company's actual economic situation or to influence contracts that can rely on financial statements (Suryono, 2017). Meanwhile, according to Sri Sulistyanto, profit management is an effort by the company's manager to intervene or influence information in financial statements with the aim of deceiving stakeholders who want to know the company's performance and condition. The term intervention and deception is used as the basis for some parties to judge profit management as fraud. Meanwhile, other parties still consider this managerial engineering activity not as fraud. The reason is that the intervention is carried out by company managers within the framework of accounting standards, namely still using accounting methods and procedures that are generally accepted and recognized (Sulistyanto, 2008).

Based on the above understanding, profit management is an effort by managers to improve their financial statements so that they can look better and convince stakeholders in making decisions.

There are two perspectives of profit management, the first is the perspective of financial reporting used by managers to forecast profit analysis in order to avoid and minimize reputational damage and negative stock price reactions as well as a means to communicate information in management to investors. Second, the perspective of profit management contracts is used to protect companies from the consequences of unforeseen events when the contract is rigid and incomplete (Hartono, 2019).

here are several methods used in profit management, namely:

1. Accrual-Based Accounting

Profit management is carried out by playing with the accrual components in the financial statements, because accrual is a component that is easy to play with according to the wishes of the person who will record transactions and prepare financial statements, this is because the accrual component is a component that does not require physical proof of cash so that efforts to play with the size of the accrual component do not have to be accompanied by cash received or issued (Utami, 2020).

2. Distortion of Accounting principles

There are several opinions that state that profit management is an effort by a company to distort generally accepted accounting principles. Although actual engineering does not always have to be done in violation of accounting principles. This is because accounting principles that have a wide spectrum are easy to use by anyone who masters and the opinion that profit management is a failure to understand it.

3. Failure of Accounting Principles

There are accounting principles to provide proper regulation. This is because accounting standards do not expressly regulate which methods are prohibited from being applied until a variety of accounting methods and procedures are accepted and recognized, causing company managers to tend to choose and use interest methods in accordance with the interests and goals they want to achieve (Ibid, 26).

There are four forms of profit management, namely:

1. The act of taking a big bath is carried out during a bad situation that is unfavorable and unavoidable in the current period. This action can be done by

acknowledging costs in future periods and losses in the current period.

2. Income minimization is done when the company obtains high profitability with the aim of not getting political attention. The policies taken can be in the form of exemption from advertising costs, rapid research and development and so on.

3. Income maximization, which is maximizing profits in order to get a bigger bonus. Similarly, a company is about to default on a short-term debt contract, so the manager will try to maximize profits.

4. Income smoothing is a form of profit management that is carried out by increasing profits and lowering profits to reduce reported profit fluctuations, so that the company's condition looks stable and not high-risk. (Faradila & Ti, 2013).

An Overview of Islamic Business Towards Profit Management

Islamic business is a series of business activities in various forms that are not limited in the amount of ownership, including profits, but are limited in the way they are obtained and the use of their assets because there are halal and haram rules. As Allah swt says in surah a-Baqarah (2) verse 188:

وَلَا تَأْكُلُوا أَمْوَالَكُمْ بَيْنَكُمْ بِالْبَاطِلِ وَتُدْلُوا بِهَا إِلَى الْحُكَّامِ لِنَأْكُلُوا فَرِيقًا مِّنْ أَمْوَالِ النَّاسِ

بِالْإِثْمِ وَأَنْتُمْ تَعْلَمُونَ

Meaning: "And do not eat the treasure among you in a bad way, and (not) you bribe the judge with it, so that you may eat some of the wealth of others in the way of sin, even though you know it."

Profit management carried out with accrual management is not the same as profit manipulation. Academics and

researchers consider profit management not to be part of fraud because this managerial engineering activity is basically the impact of a broad spectrum of generally accepted accounting principles. Conceptually, accounting principles provide a variety of methods and procedures that are free to be chosen and used by an entity according to its wishes (Sulistyanto, 2008). So, profit management practices are not part of fraud if they are carried out in accordance with the accounting principles that have been provided.

From the above explanation, Islam views that managers must have morals or honesty, in reporting the results of their financial reports to users. Honesty is one of the important capital in doing business because honesty will avoid things that can harm one party (Utami, 2020).

Bank Syariah Bukopin Profit Management with Modified Jones Model

In this study, the author uses a modified Jones model developed by Jones as a profit management analysis. The modified Jones model is a modification of the Jones model, which is designed to eliminate the tendency to use the wrong estimates of the Jones model in determining discretionary accrual when the discretionary exceeds revenue. In this model, the proxy used in profit management is discretionary accrual. Therefore, the author first collects data in the form of annual financial statements of Bank Syariah Bukopin that have been published and then analyzed so that the value of each account is obtained. The profit management calculation in this research uses Microsoft Excel in accordance with the profit management formula modified Jones model, namely:

$$TAC = \text{Net income} - \text{cash flows from operations}$$

From this formula, the author finds the value of each of these variables and obtains the total accrual value from the Bukopin Sharia bank in 2015-2019, as follows:

Table 1: Total Accrual Calculation

LK	NI	CF	TAC = NI-CE
2015	27.788.475.573	-440.266.811.993	468.055.287.566
2016	-85.999.256.769	-72.144.370.156	-13.854.886.613
2017	1.648.071.412	570.313.706.195	-568.665.634.783
2018	2.245.096.221	-314.224.895.818	316.469.992.039
2019	1.729.418.800	637.246.613	1.092.172.187

Source: Data processed in 2021

From the table above, it can be seen that the total value of accruals in 2015-2019. In 2015, 2018, and 2019, net profit was greater than operating cash flow. This could be due to low costs in that year. So that the smaller the cost, the greater the profit for the current period. This effort is commonly called income increasing management.

In 2016 and 2017, net profit was smaller than operating cash flow. This can be due to the large cost in that period. So that the greater the cost, the smaller the profit for the current period. This effort is commonly referred to as income decreasing management. So that without having to play with real income, banks can get profits greater or smaller than operating cash flow.

Next, find the value of Current Accrual which is the difference between the change in current assets minus cash and the change in current debt minus long-term debt that will mature. From the results of the calculation, the following results were obtained:

Table 2: Current Accrual Calculation Results

Year	B (CA-Cash)	D (CL-CM)	CurAcc
2015	632.182.175.158	-34.829.906.784	667.012.081.942
2016	1.045.385.077.621	-457.849.225.365	1.503.234.302.986
2017	174.545.166.842	-255.765.249.284	430.310.416.126

2018	-920.567.097.186	311.182.443.052	-1.231.749.540.238
2019	452.046.504.063	-111.717.159.018	563.763.663.081

Source: Data processed in 2021

From the table above, it can be seen that the accrual of the current period is 2015-2019. In 2015-2017 and 2019 the current accrual value was positive, this shows that the change in the working capital account has a positive value which means that the current assets of Bank Syariah Bukopin are greater than its current liabilities, so that the bank's condition is still normal. While in 2018 the current accrual value was negative, this shows that the change in the working capital account has a negative value which means that the current assets of Bank Syariah Bukopin are lower than its current liabilities, so that the bank's condition becomes abnormal.

Furthermore, an estimate is carried out using the model:

$$\frac{CurrAcc}{TA} = a1 \left[\frac{1}{TA} \right] + a2 \left[\frac{\Delta Sales}{TA} \right] + a$$

From the above regression, the coefficients of the independent variables are obtained as follows:

Table 3: Coefficients of Regression Results for Non-Discretionary Accrual Calculations

	<i>Coefficients</i>
Intercept	0,37108467
1/TA _{i,t-1}	-1,960078562
Δsales/TA _{i,t-1}	15,8157821

Source: Data processed in 2021

From the regression results above, the values of $a1 = -1.960078562$ and $a2 = 15.8157821$ were produced. This shows that the regression coefficient of $1/TA_{i,t-1}$ shows a

negative direction, this means that if $1/TA_{i,t-1}$ increases by 1, it will experience a percentage decrease of -1.960078562. The regression coefficient of $\Delta sales$ shows a positive direction, so this shows that if the $\Delta sales$ increase by 1, it will increase the percentage by 15.8157821. After obtaining the coefficients of each period, then it will be included in the equation below to calculate the nondiscretionary accrual value.

$$NDCA = a1 \left[\frac{1}{TA} \right] + a2 \left[\frac{\Delta Sales - \Delta TR}{TA} \right]$$

Table 4: Nondiscretionary Accrual Calculations

Year	$1/TA_{i,t-1}$	$\frac{Dsales_{i,t} - DTR_{i,t}}{TA_{i,t-1}}$	NDCA
2015	-0,379822147	0,282616852	-0,097205295
2016	-0,336369816	0,288025163	-0,048344653
2017	-0,284032746	1,149329865	0,865297118
2018	-0,273514964	0,192125982	-0,081388982
2019	-0,309725073	-0,13857206	-0,448297133

Source: Data processed in 2021

The results of the calculation output above show that the nondiscretionary accrual in 2016 and 2018 has decreased in value from the previous year. Next, find the value of the discretionary current accrual according to the formula below:

$$DCA = \frac{CurrAcc}{TA} - NDCA$$

From the results of the calculation according to the formula above, the discretionary current accrual results are as follows:

Tabel 5: Perhitungan Discretionary Current Accrual

Year	curAcci,t/Tai,t-1	NDCA	DCA
2015	0,129252962	-0,097205295	0,226458258
2016	0,257970602	-0,048344653	0,306315255
2017	0,062355791	0,865297118	-0,802941327
2018	-0,171881851	-0,081388982	-0,090492869
2019	0,089084053	-0,448297133	0,089084053

Source: Data processed in 2021

Next, find the value of the total accrual nondiscretionary according to the formula above by performing a previous regression of several variables that produce the coefficients below:

Table : 6 Coefficients From Regression Results for Nondiscretionary Total Accrual Calculation

<i>Coefficients</i>	
Intercept	-0,920552266
1/Tait-1	8,035914425761
Dsales/Tai,t-1	-24,11806479
PPE/Tai,t-1	-10,2871157

Source: Data processed in 2021

From the regression results above, the values of $b_1 = 8.035914425761$, $b_2 = -24.11806479$, and $b_3 = -10.2871157$ were produced. This shows that the regression coefficient of $1/Tait-1$ shows a positive direction, so if $1/Tait-1$ experiences an increase of 1, then the percentage of $1/Tait-1$ will increase by 8.035914425761. The Dsales regression coefficient shows a negative direction, so if Dsales increases by 1, then Dsales will experience a percentage decrease of 24.11806479. And the PPE

regression coefficient shows a negative direction, so if PPE increases by 1, then PPE will experience a percentage decrease of -10.2871157. After obtaining the coefficient value, it will then be included in the equation below to calculate the total accrual nondiscretionary value:

$$NDTA = b_0 \left[\frac{1}{TA} \right] + b_1 \left[\frac{\Delta Sales - \Delta TR}{TA} \right] + b_2 \left[\frac{PPE}{TA} \right]$$

Which results in the calculation below:

Table 7: Nondiscretionary Calculation of Total Accrual

Year	1/TA _{i,t-1}	Dsales _{i,t} - DTR _{i,t} /TA _{i,t-1}	PPE _{i,t} /TA _{i,t-1}	NDA
2015	1,557191802	0,017869293	-0,220780907	1,354280188
2016	1,379046285	0,01821125	-0,244996818	1,152260717
2017	1,164475183	0,072669809	-0,341238992	0,895906
2018	1,121354463	0,012147738	-0,453241858	0,680260343
2019	1,269808379	-0,008761632	-0,43400653	0,827040216

Source: Data processed in 2021

From the results of the calculation above, the nondiscretionary results of the total accrual in 2015-2019 were obtained which decreased in value in 2016 and 2017 and increased in value in 2018 and 2019.

Then look for the values of discretionary accruals, discretionary long-term accruals, and nondiscretionary long-term accruals which produce the following values:

Tabel 8: Hasil Perhitungan Discretionary Accruals, Discretionary Long-Term Accruals, dan Nondiscretionary Long-Term Accruals

Tahun	DTA	DLTA	NDLTA
2015	468.055.287.565	468055287564	1,451485483
2016	-13854886614	-13854886614	1,20060537
2017	-568665634784	-568665634783	0,030608882
2018	316469992038	316469992038	0,761649325

2019	1092172186	1092172186	1,275337349
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Source: Data processed in 2021

The results of the calculation above show that the results of the calculation of discretionary accruals, and discretionary long-term accruals in 2015, 2018, and 2019 have positive values and in 2016-2017 have negative values. Meanwhile, the value of nondiscretionary long-term accruals in 2015-2019 was positive. Positive discretionary accrual shows that in 2015, 2018 and 2019 managers reported higher profits than actual profits. The pattern used by managers in profit management is in the form of income maximization which is carried out with the aim of getting a bigger bonus. Efforts to increase profits can be made by playing with the income component of the current period higher than the actual income or the cost of the current period to be smaller than the actual age. This is usually because the bank is too optimistic in reporting its financial performance by recognizing future income as current income.

Meanwhile, in 2016 and 2017 Bank Syariah Bukopin was detected using profit management by reducing the value of profits or income decreasing. A negative discretionary accrual indicates that in that year the manager reported a profit that was lower than the actual profit earned. The pattern used by managers in profit management is in the form of income minimization , which can be done by removing expenses that are not paid much attention to by readers of financial statements, such as removing intangible assets and capital goods. Usually, managers carry out this pattern with the aim of not getting political attention in order to obtain conveniences and facilities from the government such as subsidies and tax cost analysis. From the data above, it can be seen that the highest profit management proxy occurred in 2015 and the lowest occurred in 2017.

Descriptive Analysis

The variable description used in this study is in the form of descriptive statistics. Descriptive analysis can

provide an overview of the variables in a study that can be known from the minimum value, maximum value, mean value, and standard deviation as presented in the table below:

Table 9: Descriptive Statistics of Discretionary Accruals in 2015-2019

<i>DTA</i>	
Mean	40.619.386.078
Standard Error	178.122.582.841
Median	1.092.172.186
Standard Deviation	398.294.203.560
Sample Variance	158.638.272.589.612.000.000.000
Kurtosis	1
Skewness	-1
Range	1.036.720.922.349
Minimum	(568.665.634.784)
Maximum	468.055.287.565
Sum	203.096.930.391
Count	5

Source: Data processed in 2021

Based on the table above, it can be known that the number of samples used in this study is 5 variables. For discretionary accrual, the minimum value is -568,665,634,784, the maximum value is 468,055,287,565, with an average value of 40,619,386,078, and the standard deviation is 398,294,203,560. This shows that the profit management behavior of the sample is high because the discretion value of the Bukopin Sharia bank ranges above 0. The discretionary accrual value that is below 0 has a negative value, this indicates that the bank uses profit management by reducing its profits. The negative discretionary accrual value can be caused by the

manager's play on fixed assets by allocating the acquisition price of fixed assets for the initial periods lower than the subsequent periods.

In Bukopin Sharia bank, the negative discretionary accrual value is due to the fact that the bank tries to play with the cost component to be higher than the actual cost. Meanwhile, a discretionary value above 0 is a positive value, this indicates that the manager is managing profits by increasing his profits. The positive discretionary value of the accrual value can be caused by the manager's play on fixed assets by allocating the acquisition price of fixed assets for the initial periods higher than in the later periods. In Bukopin Sharia bank, the positive discretionary accrual value is due to the fact that the bank tries to play with the cost component by making it lower than the actual cost. In Bukopin Sharia bank, it shows that the mean value of the discretionary accrual is 40,619,386,078, this means that Bukopin Sharia bank has on average carried out profit management by increasing its profit value. This can be due to the motivation to get a higher bonus or have experienced a breach of the debt agreement. The profit management carried out by Bank Syariah Bukopin has a great influence on its financial statements. This is because managers have played with financial statements on the accrual component by modifying the most vulnerable accounts, namely the expense and income accounts.

4. Conclusion

Based on the results of the calculation above, it can be concluded that the Bukopin Sharia bank in 2015-2019 has been detected to carry out profit management by increasing and decreasing the profit value. This can be seen from the accrual discretionary value in 2015 amounting to 468,055,287,565, in 2018 amounting to 316,469,992,038, and in 2019 amounting to 1,092,172,186. This shows that Bank Syariah Bukopin has carried out profit management by increasing the value of its profit from the actual profit. Meanwhile, the discretionary accrual in 2016 amounted to -13,854,886,614 and in 2017

amounted to -568,665,634,784 This shows that Bank Syariah Bukopin conducts profit management by decreasing the value of its profit from the actual profit obtained. The results of the descriptive statistical calculation show a mean value of 40,619,386,078 which means that Bank Syariah Bukopin has carried out profit management by increasing its profit value. This can be due to motivation to get a higher bonus or have experienced a debt agreement violation.

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