

COMPARISONAL ANALYSIS OF BANKING FINANCIAL PERFORMANCE BEFORE AND AFTER ADOPTING IFRS

Achmad Daengs GS ¹⁾, Enny Istanti ²⁾, Diana Zuhro ³⁾, Retno Susanti ⁴⁾,
Ruhan Sanusi ⁵⁾, Sutini ⁶⁾, Bramastyo Kusumonegor ⁷⁾

^{1,3,4,6)}University of 45 Surabaya, Indonesia,

^{2),5),7)}Bhayangkara University Surabaya, Indonesia

e-mail: adaengsgs@univ45sby.ac.id

Abstract. This research aims to analyze the comparison of financial performance of banks before and after the adoption of International Financial Reporting Standards (IFRS) in Indonesia. The type of data used is secondary data taken from the balance sheets of banks listed on the Indonesia Stock Exchange (IDX) for the period 2010-2013. The variables used are financial ratios with Capital Adequacy Ratio (CAR), Return on Assets (ROA), Return on Equity (ROE), Loan to Deposit Ratio (LDR) and Non Performing Loan (NPL) indicators. This study uses quantitative methods, data were analyzed with a paired t-test. The results show that the implementation of IFRS has no impact on the financial performance of banks, because in principle the implementation of IFRS is not directly aimed at improving performance

Keywords: Banks, Financial Statements, IFRS, Paired sample t-test.

INTRODUCTION

Globalization has led to increased business development in Indonesia. In addition, the reform era also calls for increased transparency of business information to related parties. Transactions between countries and different accounting principles between countries result in the emergence of the need for accounting standards that apply internationally. Therefore, an organization called IASB (International Accounting Standard Board) emerged which issued IFRS (International Financial Reporting Standard). IFRS is then used as a guideline for the presentation of financial statements in various countries. The next problem that arises is how to apply IFRS in each country considering the differences in the economic, political, legal, and social environment (Anggrayni et al. 2011).

The IAI (Indonesian Association of Accountants), the institution that creates and sets Indonesian accounting standards, will require all companies operating in Indonesia to prepare financial reports guided by IFRS (International Financial Reporting Standards). This rule comes into force on January 1, 2012. In order to create PSAK (Standard Guidelines AccountancyFinance), IAI carried out several phases including: the adoption phase (2008-2010), the final preparation phase (2011)

and the implementation (early 2012). The reasons why Indonesia should adopt international financial reporting standards are (a) to improve the comparability of financial reports and provide high quality information on international capital markets, (b) to remove barriers to flows capital markets by reducing differences in accounting regulations, c) reducing financial reporting costs for multinational companies and financial analysis costs for analysts, d) improving the quality of financial reporting towards best practices.

There are many problems faced in adopting International Financial Reporting Standards, so there is a discrepancy between the plans that have been made and the reality that occurs in the field. In 2012, it is hoped that Indonesia will implement PSAK based on International Financial Reporting Standards as a whole, but in reality not all companies and banks have adopted International Financial Reporting Standards as a whole so that there may be performance differences between companies that have not adopted and have adopted International Financial Reporting Standards.

Based on the description above, the purpose of this study is to determine the significant differences in the company's financial performance before and after adopting IFRS based on banking financial performance indicators, namely Capital Adequacy Ratio (CAR), Return on Assets (ROA), Return on Equity (ROE), Loan to Deposit Ratio (LDR), and Non Performing Loan (NPL).

Companies savvy in marketing, manufacturing and innovation can make this an asset to gain a competitive advantage (Daengs GS, et al. 2020:1419). In order to know the results of the data, the technique of data analysis is also used to test the hypotheses made by the researchers, since the analysis of the collected data to determine the effect of the independent variables on the related variables uses several linear methods . statistical tests. (Enny Istanti, et al, 2020:113). The research design is a plan for determining the resources and data that will be used to be processed to answer the research question. (Asep Iwa Soemantri, 2020:5). Time management skills can facilitate the implementation of the work and plans outlined. (Rina Dewi, et al. 2020:14) Standards of business requirements related to results or output produced are intended for business development. (Istanti, Enny, 2021:560). While collecting data sources, researchers collect data sources in the form of raw data. The survey method is a primary method of data collection using written questions (Kumala Dewi, Indri et al, 2022: 29).

Data analysis in the study was carried out by descriptive analysis method, which is defined as an attempt to collect and collate data and then data analysis is performed while the collected data is in the form of words.. (Kasih Prihantoro, Budi Pramono et al, 2021: 198).

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RESEARCH METHODS

The subject of this research is all banks listed on the Indonesia Stock Exchange (IDX) for the period 2010-2013. Data successfully processed by up to 30 banks. The analysis tool used in this study is the paired-samples t-test using version 16 of the SPSS application. The type of data used is secondary data derived from financial reports for the period 2010-2013 which are listed on the IDX (Indonesian Stock Exchange) are rated. . The variables used are financial ratios with Capital Adequacy Ratio (CAR), Return on Assets (ROA), Return on Equity (ROE), Loan to Deposit Ratio (LDR) and Non-Performing Loans (NPL) as indicators. The following hypothesis is formulated in the study:

- Ho : There is no difference in the financial performance of banks before adopting IFRS and after adopting IFRS in banking companies in 2010 and 2013.
- H1 : There are differences in the financial performance of banks before adopting IFRS and after adopting IFRS in banking companies in 2010 and 2013.

From the results of calculations using SPSS presented, it can be seen that the value of Asymp.Sig. (2-tailed) data before IFRS for CAR of 0.850, ROA of 0.303, ROE of 0.178, LDR of 0.155, and NPL of 0.869. Because these values are greater than alpha (Asymp.Sig. > 0.05), it can be concluded that the company's financial performance data by measuring CAR, ROA, ROE, LDR, and NPL are normally distributed.

Shows the company's performance after adopting IFRS, namely CAR of 0.498, ROA of 0.415, ROE of 0.254, LDR of 0.070, and NPL of 0.099. From the results of these calculations it can also be concluded that the company's financial performance data after adopting IFRS is normally distributed with a level of Sig.> 0.05.

RESULTS AND DISCUSSION

Based on the completeness of the data that has been successfully processed as many as 30 banks. The results of the analysis of the complete normality test, descriptive test and paired sample t-test.

Capital Adequacy Ratio(CAR)

The CAR (Capital Adequacy Ratio) is the ratio used to measure the adequacy of a bank's capital in relation to its risk-weighted assets. It can be seen that the average of the data changes before and after the adoption of IFRS.

For the average CAR before the adoption of IFRS, the average CAR was 17.11% and after the adoption of IFRS, the average CAR increased to 16.43%, indicating that after the adoption of IFRS (using CAR by calculation using risk-weighted assets) due to the CAR ratio of banks performed better before adopting

IFRS (using CAR with calculations using risk-weighted assets) based on risk) were higher. The results of the paired-samples t-test hypothesis tests showed that there was no significant difference in the CAR ratio variable as a whole before and after the adoption of IFRS, as the materiality level was $0.412 > 0.05$ (5%). These results are consistent with research by Maulidya and Wardoyo (2013) on benchmarking the performance of banks that adopt international accounting standards.

Return on Assets(ROA)

ROA (Return On Assets) is a ratio used to measure a bank's ability to generate profits relative to its total assets. For the pre-IFRS average ROA of 1.22% and the post-IFRS average of 1.47%, the post-IFRS banks show that due to the banks' higher ROA ratio (using ROA with calculations using total income) they obtained better results than before the adoption of IFRS (using the ROA with calculations using the net income). The results of the hypothesis tests using the paired-samples t-test showed that there was no significant difference in the overall ROA ratio variable before and after the adoption of IFRS, because the threshold of significance was $0.145 > 0.05$ (5%). These results are consistent with research by Maulidya and Wardoyo (2013) for a comparative analysis of the performance of banks applying international accounting standards. Based on the overall ROA ratio, it can be concluded that there is no difference in the financial performance of banks before and after the adoption of IFRS.

Return on Equity(ROE)

ROE (Return On Equity) is a ratio used to measure the level of income (income) available to company owners (both common stockholders and preferred stockholders) on the capital they invest in the company. The average ROE before IFRS adoption is 12.95% and after IFRS adoption is 13.35%, indicating that banks after adopting IFRS have improved performance, due to the ROE ratio of banks after adopting IFRS (using ROE with calculations using Comprehensive Profit) higher than before adopting IFRS (using ROE with calculations using Net Profit). The results of hypothesis testing using the paired sample t-test showed that there was no significant difference in the overall ROE ratio variable before and after adopting IFRS because the significance value was $0.265 > 0.05$ (5%). These results are consistent with research by Maulidya and Wardoyo (2013) on comparative analysis of banking performance that adopts international financial reporting standards. Based on the overall ROE ratio, it can be concluded that there is no difference in banking financial performance before and after adopting IFRS.

Loan to Deposit Ratio(LDR)

LDR (Loan To Deposit Ratio) is a ratio that measures the ability of banks to meet their commitments, which must correspond to the bank's obligations to immediately meet the requests of depositors who want to withdraw their money used by banks at the time of the concession of credit. The average LDR before IFRS is 91.37% and after IFRS is 94.39%, indicating that banks have improved performance after adopting IFRS due to the LDR ratio of banks after (use of LDR in the calculation of loans without deduction of reserves). losses) is higher than before IFRS (using LDR with loan calculations minus provision for losses). The results of hypothesis testing using paired sample t-test showed that the total LDR ratio variable had no significant differences before and after IFRSs were applied, as the significance value was $0.794 > 0.05$ (5%) . This result is consistent with Maulidya and Wardoyo's (2013) research on benchmarking bank performance using international standards for financial reporting. Based on the total LDR ratio, it can be concluded that there is no difference in the financial performance of banks before and after the introduction of IFRS.

Non Performing Loans(NPL)

The NPL (Non Performing Loan) is one of the most important indicators to judge the performance of banking functions. For average NPLs before IFRS adoption of 1.54% and after IFRS adoption of 1.38 indicates that the banking sector performed better after the adoption of IFRS because the ratio of the banking sector NPLs before IFRS (using NPLs to calculate loans without deducting reserves for losses) is higher than after applying IFRS (using NPLs to calculate loans with reserves for losses). The results of the hypothesis testing using the paired sample t test showed that there was no significant difference in the variable of the total NPL ratio before and after the application of IFRS, since the significance value was $0.177 > 0.05$ (5 %). These findings are consistent with the research by Maulidya and Wardoyo (2013) on comparative analysis of banking performance that adopts international financial reporting standards.

CONCLUSION

This study aims to obtain empirical evidence to analyze the financial performance of IPO banks before and after the adoption of IFRS listed on the Indonesian Stock Exchange, based on the financial performance indicators of banks, namely CAR, ROA, ROE , LDR and NPL. The performance of banks that have adopted IFRS does not differ significantly from that of banks that have not adopted IFRS. This is reflected in the absence of significant differences in the ratios of CAR, ROA, ROE, LDR and NPL.

Although the difference is not significant, banks that have adopted IFRS perform better than banks that have not adopted IFRS. Because the existence of these global standards enables universal comparability and exchange of information, as well as internationally recognized financial reporting that can improve the quality of financial reporting by banks in Indonesia. The application of IFRS has not shown any significant impact on banking performance in Indonesia. This indicates that the adoption of IFRS has no impact on the Bank's financial performance, as the adoption of IFRS is generally not aimed directly at improving performance, especially in the short term.

It is hoped that research like this will continue to be conducted to demonstrate the impact of adopting IFRS on financial performance and will not be limited to banking entities and further research should be conducted with more annual financial report data.

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