

ANALYSIS OF ACCOUNTING CONSERVATISM LEVEL COMPARISON ON SHARIA COMMERCIAL BANKS AND CONVENTIONAL COMMERCIAL BANKS IN INDONESIA

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Abstract- *Conservatism is a prudent reaction in the face of the uncertainty inherent in the company to try to ensure that the uncertainties and risks in the business environment are sufficiently considered. The application of accounting conservatism in Islamic Commercial Banks and Conventional Commercial Banks has different reasons. Sharia commercial banks that have a foundation to be trustworthy and in accordance with the basic principles of Islamic banking. The purpose of this study is to explain the differences in the level of accounting conservatism in Islamic Commercial Banks and Conventional Commercial Banks. The type of data used in this study is secondary data. Secondary data were obtained from the official websites of Islamic Banks and Conventional Banks. Hypothesis testing in this study using independent t-test with SPSS 24 software. The results of this study indicate that the level of accounting conservatism in Islamic banks which is higher than conventional banks makes the risk of Islamic banking companies lower than conventional banks.*

Keywords: *Conservatism, Sharia Commercial Banks, Conventional Commercial Banks, Bank Indonesia.*

Abstrak- *Konservatisme merupakan reaksi yang hati-hati (prudent reaction) dalam menghadapi ketidakpastian yang melekat pada perusahaan untuk mencoba memastikan bahwa ketidakpastian dan risiko dalam lingkungan bisnis yang sudah cukup dipertimbangkan. Penerapan Konservatisme akuntansi dalam Bank Umum Syariah dan Bank Umum Konvensional memiliki alasan yang berbeda. Bank umum syariah yang memiliki landasan untuk berlaku amanah dan sesuai dengan prinsip-prinsip dasar perbankan syariah. Tujuan penelitian ini adalah menjelaskan perbedaan tingkat konservatisme akuntansi Pada Bank Umum Syariah dan Bank Umum Konvensional. Jenis data yang digunakan dalam penelitian ini adalah data sekunder. Data sekunder diperoleh*

dari website resmi Bank Syariah dan Bank Konvensional. Uji hipotesis pada penelitian ini menggunakan independent t-test dengan software SPSS 24. Hasil penelitian ini menunjukkan Tingkat Konservatisme akuntansi Bank Syariah yang lebih tinggi dari bank konvensional membuat Risiko perusahaan Bank Syariah lebih rendah dibandingkan bank konvensional.

Kata Kunci : *Konservatisme, Bank Umum Syariah, Bank Umum Konvensional, Bank Indonesia.*

I. INTRODUCTION

Background Issues

Conservatism in the Glossary of Concept Statement No.2 FASB (Financial Accounting Standards Board) which interprets conservatism as a prudent reaction in the face of the uncertainty inherent in the company to try to ensure that uncertainties and risks in the business environment are considered enough. In this case it is hoped that conservatism can affect profit management, which is classified in the crime of Fraudulent Financial Reporting.

Conservatism is an accounting principle that if applied it will generate profits and the company's assets tend to be low, while the figure of costs and debt tends to be high, it is dwarfed by accounting conservatism adheres to the principle of slowing revenue recognition and accelerating cost recognition (Savitri, 2016:23). Accounting conservatism is expressed by means of Earning/Accrual Measure (Yenti and Syofyan, 2013 in Ariyanti, 2019). Earnings/Accrual Measure is the result of the amount of net profit from operating activities and cash flow used from operating activities (Yenti and Syofyan, 2013 in Ariyanti, 2019). If the amount of accrual is negative (net profit is smaller than operating cash flow) consistent for several years it reflects the implementation of accounting conservatism within the company, in addition the accrual base is usually used to measure the value of the company's assets, liabilities, and equity to produce better financial statements for decision making (Savitri, 2016:46). It is thought that if the application of accounting conservatism is higher, then the company's equity valuation is also higher.

Accounting conservatism is an accounting method that applies prudent principles in the preparation of financial statements. Accounting conservatism is usually used in the face of uncertainty and the possibility of excessive optimism that management may do (belkaoui, 2004:122 in Ningsih, 2019). This principle requires the company to acknowledge the possibility of future rugui, but does not anticipate realized profit not being recognized as revenue in that period (Sugiono et al, 2009:21 in Ningsih, 2019).

The application of the principle of conservatism that supports in addressing existing phenomena in the company such as profit management and others is evidenced by research - research that has been done before. The principle of conservatism is used for erratic things or environments and weakens the actions of managers to lower profits before the announcement of the stock option grant date (Kusuma, 2014 in Purnamasari, 2018) and this research is also supported by research (Fitriany, 2010 in Purnamasari, 2018) reveals that the asymmetry of information negatively affects conservatism while for the Sharia Banking sector also conducted research by (Septiana and Irfan) , 2015 in Purnamasari, 2018) shows that conservatism negatively affects profit management at Bank Syariah.

Sharia banking in conducting its business activities based on Sharia Principles, economic democracy, and prudential principles. Sharia Banking aims to support the implementation of national development in order to improve justice, togetherness, and equalization of people's welfare (Andrianto, 2019:27). For Sharia Banks, profit is not the ultimate goal, because the main goal is zakat. As with most companies, Sharia Commercial Bank needs accounting information in carrying out its business, as well as the calculation of zakat that must be issued. Information for Sharia banks has a broad sense of

accountability to Allah SWT, society, individuals, and the environment. Research from (Al Abbad, 2015 in Purnamasari, 2018) shows that Islamic Bank reported more conservative than Conventional Bank due to the higher risk of litigation and Islamic banks have an obligation to pay zakat.

Based on the exposure of the above phenomenon, the authors will examine the conservatism of sharia public banks and conventional public banks by comparing conventional commercial banks and sharia commercial banks measured by the Accrual Measures method of Givoly and Hayn. This research by the author was used as a thesis with the title "**Analysis of Accounting Conservatism Level Comparison at Sharia Commercial Bank and Conventional Commercial Bank in Indonesia**".

Formulation of Problems

Is there a difference in the level of accounting conservatism of Sharia Commercial Banks and Conventional Commercial Banks?

Goto Research

To explain the difference in the level of accounting conservatism of Sharia Commercial Banks and Conventional Commercial Banks.

Benefits of Research

The benefits and contributions of this research to its readers are as follows:

1. Theoretical benefits
 - a. Can add science about accounting conservatism in Indonesia.
 - b. This research contributes knowledge related to the level of accounting conservatism of sharia commercial banks and conventional public banks in Indonesia.
 - c. This research can be a reference for Sharia Banks, so the practice of conservatism is expected to be more applied by Sharia commercial banks.
2. Benefits in practical fields
 - a. Can provide information and knowledge that will be useful for Sharia Bank.
 - b. This research can be used and can increase the knowledge of the wider public about the various performance of Sharia banking that is found throughout indonesia.

II. LIBRARY REVIEW

Review of Previous Research Results

1. Research conducted by Purnamasari (2018) with the title of research "Analysis of Accounting Conservatism Level At Sharia Commercial Bank and Conventional Commercial Bank in Indonesia". The results showed that there were significant differences in the level of accounting conservatism that exists in Sharia Commercial Banks and Conventional Commercial Banks in.
2. Research conducted by Al Abbad (2016) with the research title "Accounting Conservatism in Islamic Banking" Summarizes that Islamic banks reflect bad news in profits reported faster than good news, after controlling bank and state rates. This suggests that sharia banks are taking the same approach of accounting conservatism as conventional banks.
3. Research conducted by Rosdini and Fildzah (2016) with the research title "Comparison Of Conservatism In Islamic And Conventional Banks In Indonesia And Malaysia" conventional bank tends to be more conservative than sharia banks in Indonesia.

The Foundation of Theory

Stakeholder Theory

Stakeholder theory has the field of ethics (moral) and managerial. The ethics field argues that all stakeholders have the right to be treated fairly by the organization, and that managers should manage the organization to the benefit of all stakeholders (Rokhlinasari,2016).

Financial Statements

The Indonesian Institute of Accountants (2012:5) in Savitri (2016:1) expresses the meaning of financial statements namely: a structure that presents financial position and financial performance in an entity. The general purpose of this financial statement is for the public benefit is the presentation of information about financial position, financial performance, and cash flow from entities that are very useful for making economic decisions for its users. In order to achieve this goal, financial statements provide information on elements of the entity consisting of assets, liabilities, networth, expenses, and income (including gain and loss), changes in equity and cash flow. The information, followed by a note, will help users predict future cash flow.

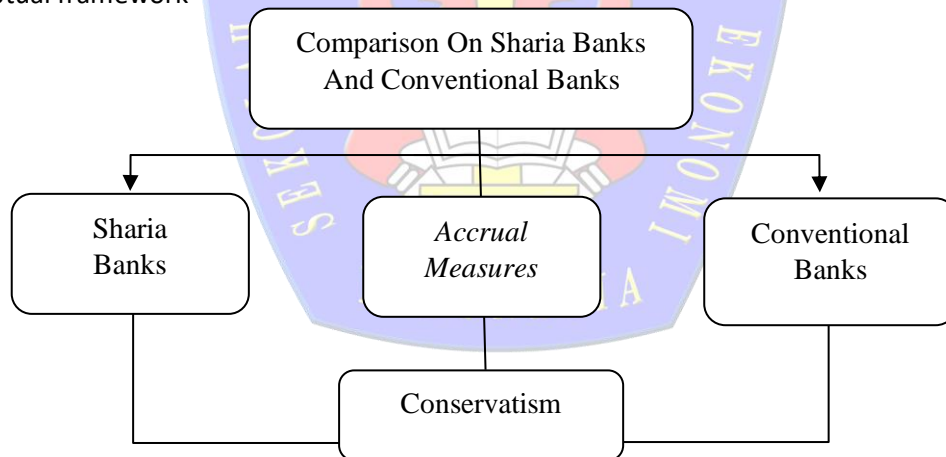
Conservatism

Watts (2003) in Savitri (2016: 22) defines conservatism as a principle of prudence in financial reporting where the company is in no hurry to acknowledge and measure assets and profits and immediately acknowledge the losses and debts that have the possibility of occurring.

Bank

Banks are business entities that raise funds from the community in the form of deposits and distribute them to the public in the form of credit and or other forms in order to improve the living standards of the people. Conventional Bank is a bank that conducts its business activities conventionally and based on its type consists of Conventional Commercial Bank and People's Credit Bank (Bank Indonesia Booklet, 2017).

Conceptual framework



H1: There are differences in the level of accounting conservatism at Sharia Commercial Banks and Conventional Commercial Banks.

III. RESEARCH METHODS

This research is classified as comparative research to analyze data with statistical methods to test research hypothesis. The criteria of this research are the annual financial statements of Sharia Commercial Banks and Conventional Commercial Banks that always have balances on certain accounts, namely comprehensive profit accounts, total assets, depreciation, and total operating cash flow. In their statistical calculations, researchers used SPSS Version 24.0. In this study the technique used to take samples is a *purposive sampling method*.

Operationalization of Variabel

The level of accounting conservatism as measured by *the Accrual Measures* of Givoly and Hayn (2000) methods at Sharia Commercial Banks and Conventional Commercial Banks during 2018-2019.

Methoda Data Analysis

The data analysis technique used to test this research hypothesis is statistical inference, a classic assumption test that includes normality tests. Furthermore, multiple regression analysis is performed to determine the influence between bound variables and free variables. Testing each hypothesis is conducted by testing each regression coefficient with a t. test using SPSS Version 24.0. The regression equations in this study are as follows.

Givoly and Hayn's Model – Active and Pasive Institutional Ownership

$$CONACC_{it} = \alpha_i + \beta_1 ACINST + \beta_2 PASINST + \beta_3 LEV + \varepsilon_{it}$$

CONACC_{it} : Level of conservatism

ACINST : Percentage of institutional ownership (active institutional ownership)

PASINST_i : Percentage of institutional ownership (passive institutional ownership)

LEV : Percentage of total liabilities to own capital

ε_{it} : error

IV. RESEARCH RESULTS AND DISCUSSIONS

Descriptive Raw Data Calculation

The banks sampled in this study are Sharia Commercial Bank and Conventional Commercial Bank which have met the criteria to be sampled. The data for the level of accounting conservatism measured by *the Accrual Measures* of Givoly and Hayn (2000) methods at Sharia Commercial Bank and Conventional Commercial Bank during 2018-2019 are as follows:

Table 4.1

Level of Accounting Conservatism with Accrual Measures from Givoly and Hayn (2000) At Sharia Commercial Bank

No	Sharia Commercial Bank	Level of Accounting Conservatism	
		2018	2019
1	Btpn	-0.04334181	0.02550712
2	Bca	0.007930767	0.042293396
3	BJB	0.094029488	0.0118592
4	Bri	0.004064202	-0.000543092
5	Bukopin	-0.02294987	0.101579976
6	Mandiri	0.003931163	0.02092579
7	Maybank	0.263003239	0.31219087
8	Mega	0.059109022	0.059774022

9	Muamalat	0.123099027	0.071077638
10	Panin	0.2449915	-0.011038366
11	Victoria	0.051053636	0.01315697

Source : Processed annual financial statements, 2020

Table 4.2
Level of Accounting Conservatism with Accrual Measures of Givoly and Hayn (2000) At
Conventional Commercial Banks

No	Conventional Commercial Banks	Level of Accounting Conservatism	
		2018	2019
1	Bni	0.100081395	0.081950705
2	Bca	0.049649962	-0.015146219
3	Mandiri	0.053977149	0.049455153
4	Bri	-0.012763485	-0.002345162
5	Cimb	0.034151566	0.008224013
6	Btn	-0.130016969	0.007582109
7	Bukopin	0.06973315	0.030869837
8	Danamon	-0.011485103	0.062549283
9	Maybank	0.057821854	-0.020031448
10	Mega	-0.028556583	-0.122897143
11	Mnc	-0.044576551	0.072961805

Source : Processed annual financial statements, 2020

Normalist Test

In this study testing the normality of the data using the Kolmogorov-Smirnov test (Kolmogorov-Smirnov Test) by looking at the significance of the resulting residual. Normality tests are used to analyze whether the data used in this study has been distributed normally or not. Normality data test results from residual obtained as follows:

Table 4.3
Data Normality Test Results
One-Sample Kolmogorov-Smirnov Test

		LOG_CONACC
N		33
Normal Parameters ^{a,b}	Mean	-1.6380
	Std. Deviation	.48178
	Absolute	.126

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Most Extreme Differences	Positive	.086
	Negative	-.126
Test Statistic		.126
Asymp. Sig. (2-tailed)		.200 ^{c,d}

- A. Test distribution is Normal.
- B. Calculated from data.
- c. Lilliefors Significance Correction.
- D. This is a lower bound of the true significance.

Source : OUTPUT SPSS Version 24.0

Based on the results in Table 4.1 above, it shows that the value of significance above 0.05 is 0.200. This means that the residual data is distributed normally.

Hypothesis Test

Table 4.4
Group Statistics

	Bank	N	Mean	Std. Deviation	Std. Error Mean
LOG_	Conventional	16	-1.5338	.43434	.10534
CONACC	Sharia	17	-1.7488	.51820	.12955

Source: OUTPUT SPSS Version 24.0

Based on the data in the table above that Conventional Commercial Bank is conclusive 16 times and 28 times non-conservative. while Sharia Commercial Bank is conservative 17 times and 27 times un conservative during the period 2018 - 2019. The average accounting conservatism rate for Conventional Commercial Banks is -1.5338 and Sharia Commercial Bank is -1.7488. Standard deviation at Conventional Commercial Bank is 0.43434 and the standard deviation for Sharia Commercial Bank is 0.51280.

Table 4.5
Accounting Conservatism Test Results
Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	Q	Sig. (2-tailed)	Std. Error Difference

LOG_	Equal variances assumed	1.459	.236	2.095	.025	.26606
CONACC	Equal variances not assumed			2.088	.028	.26698

The F-count that assumes both variances are the same is 1,459 with a significance of 0.236. Because the calculated significance number > 0.05 is $0.236 > 0.05$, then H_0 is accepted and H_1 is rejected. This means that there are no differences in the variance of accounting conservatism level data groups at Conventional Commercial Banks and Sharia Commercial Banks.

To compare the average level of accounting conservatism at Conventional Commercial Banks and Sharia Commercial Banks can be done using t test. If both variants are the same then equal variances are used assumed t count for the level of accounting conservatism.

Table 4.8 indicates that the significance value is 0.025. Due to the significance figure < 0.05 i.e. $0.025 < 0.05$ then H_0 is rejected and H_1 is accepted. This means that there is a difference in the average level of accounting conservatism at conventional Commercial Banks and Sharia Commercial Banks.

Interpretation of Research Results

Related to the application of the principle of conservatism in a business entity. (Handoyo, 2012) states that conservatism is applied because accounting uses accrual basis in the formation and presentation of a company's financial statements. The level of conservatism at Sharia Commercial Bank and Conventional Commercial Bank is influenced by the different rules, objectives, accountability, and interests of the two banks.

If conservatism is simplified as a demand to verify the asymmetry for gains and losses then with this understanding it can be interpreted that the level of conservatism will increase as the higher the difference in the level of verification required to verify gains against losses. Of course in this case verifying gains should be more stringent than verifying the things that cause losses. This explains the interpretation of hypothetical test results using independent t-test which is comparative test, based on the table data above that Conventional Commercial Bank is conservative 16 times, while in Sharia Commercial Bank is conservative as much as 17 times. With this result, the Sharia Bank's higher level of accounting conservatism from conventional banks makes sharia bank corporate risk lower than conventional banks.

V. CONCLUSIONS AND SUGGESTIONS

Conclusion

The result of this study is that there are significant differences in the level of accounting conservatism that exists in Sharia Commercial Banks and Conventional Commercial Banks.

Differences in the level of conservatism in Sharia Commercial Banks and Conventional Commercial Banks are influenced by the benefits of applying the principles of conservatism, rules, and accountability in both banks. Thus making Sharia Commercial Banks and Conventional Commercial Banks have different levels of conservatism. Conservatism plays a role in lowering the amount of tax to be paid, generating quality profits, minimizing profit management measures, addressing financial difficulties, reducing litigation costs and *to reduce conflicts between bondholders and shareholders*.

Advice

Researchers can then use research objects other than banking, as well as increase the observation period, and use conservatism measurement methods with other methods such as *book to market ratio* and *discretionary*.

Limitations of Further Research and Research Development

In this study there are some limitations that still need to be revised for the next researcher, among others: In this study used an observation year that is only 2 years.

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