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How Personal Grooming Influenced The Entrepreneurship

Lulup Endah Tripalupi, Made Ary Meitriana, Kadek Rai Suwena

This study aims to determine the effect of Personal Grooming on Entrepreneurial Behavior of Micro of Small and medium Enterprises Actors. This study is limited only to find the influence between Personality, and Attitude towards Entrepreneurial Behavior of Micro of Small and Medium Enterprises Actors....

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The Influence of Internal and External Factors on the Return of The Composite Stock Price Index with Country Risk Beta Modeling

I Nyoman Sujana, Iyus A. Haris, I Wayan Suwendra

The purpose of this research to examine and analyze the influence of the interaction of internal and external factors of return of MSCI ACWI IMI to the

return of IHSG (Composite Stock Price Index) by using country risk beta. Data was collected by documentation techniques and then analyzed by multiple...

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Testing of Fraud Diamond Theory Based on Local Wisdom on Fraud Behavior

Edy Sujana, I Nyoman Putra Yasa, Made Arie Wahyuni

This study aims to examine the elements of fraud diamond theory based on local wisdom on fraud behavior. This research was conducted in all universities in Buleleng Regency, Bali. This research uses a quantitative method by using 40 finance department employees in all universities in Buleleng Regency...

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Customer Satisfaction on Company Image and Its Impact on Loyalty of Banking Service Industry Customers in Bali

Ni Luh W. Sayang Telagawathi, Ni Made Dwi Ariani Mayasari, Ni Nyoman Yulianthini

As the development of the research made by Andres Kuusik,(2007), the primary purpose of this research was to examine the effect of the customer satisfaction, the company image, switching barrier, and the loyalty of the customers with the banking as an empirical hypothesis. This research found that the...

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Determination of School Culture and Achievement Motivation to Tourism Learning Achievement Learning

I Putu Gede Parma, I Nyoman Natajaya, Ni Nyoman Lisna Handayani

This study aims to determine the determination of school culture, and achievement motivation on tourism learning achievement. This study is an "ex-post facto" study with a sample size of 133 people. Data collection tool in the

form of questioner and observation sheet, data analysis with simple regression,...

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Culinary Franchise Business in The Perspective of Ajeg Bali

Anantawikrama Tungga Atmadja, Putu Eka Dianita Marvilianti Dewi

This research was conducted with qualitative methods to understand the use of various discourses of Ajeg Bali movement in marketing the culinary business of Bakso 100% Haram. Data was collected by interviewing, observing and documenting studies and interpreted with the help of the theoretical framework...

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Job Characteristics Analysis and Its Influence on The Performance at The Employee's Local Government of Buleleng Regency

I Wayan Bagia, Wayan Cipta, Nengah Suarmanayasa

This research had been proposed to get the finding about of: (1) descriptives of the job characteristics and performance, and (2) explanative which had been tested the influence of job characteristics on the performance at the employee's the local government in Buleleng Regency. This research used causal...

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Digging Corporate Social Responsibility Concept with Banjar Cultural Perspective (Study in PT. Antang Gunung Meratus)

Monika Handayani, Zaki Baridwan, Gugus Irianto, Nailiya Nikmah, Rosidi

This research is based on the background of various problems that occurred in South Kalimantan related to the operation of mining companies in the area, social and environmental issues that arouse the niche of researchers to carry out excavations related to corporate social responsibility (CSR), researchers...

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The Examination of Tax Evasion Behavior of Tax Payers from The Perspective of Planned Behavior Theory

Made Arie Wahyuni, I Putu Julianto, Ni Wayan Yulianita Dewi

This study aims to examine: (1) the impact of attitudes of non-compliance with tax evasion practices with non-compliant behavioral intentions as intervening variables, (2) the effect of low subjective norm on behavioral practices of tax evasion with the intention as an intervening variable, (3) the effect...

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Implementation of Students' Information System to Improve Discipline and Database of The Students

Komang Krisna Heryanda, Ni Made Dwi Ariani Mayasari, Ni Wayan Sayang Telagawathi

This research revealed the strategy of implementing the student information systems by the Management department student association to discipline the students in participating student activities. This study also revealed the database model expected by students and also Management Department, so that...

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The Role of Working Capital and Product Innovation in Productivity

Wayan Cipta, Komang Krisna Heryanda, I Wayan Bagia

Micro, small and medium enterprises (MSMEs) are businesses that are able to survive in the midst of a crisis, both in developed countries and in developing countries. To maximize the role of MSMEs in maintaining economic stability requires attention and assistance in its development since it is inseparable...

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Analysis Use of Academics Information System by Undiksha New Student

I Gede Agus Pertama Yudiantara, Ni Luh Gede Erni Sulindawati, Gede Adi Yuniarta

The objectives of the research are to predict and explain use of Academic Information System (SIAk) by Undiksha new students with TAM as the basic of theory. Researcher used pick up survey and collected 271 Undiksha new students as respondents processed it by Partial Least Squares (PLS). The results...

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Determination of Potential Economic Sectors to Support Economic Development Planning

I Nengah Suarmanayasa, Gede Putu Agus Jana Susila, I Wayan Bagia

This study aims to determine the district's economic structure Bangli seen from the contribution to GDP and to determine the economic sectors that serve as a potential economic sectors in Bangli. This study uses secondary data from the data of Gross Regional Domestic Product (GDP), agricultural production...

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Subak as A Scientific Learning Model

Iyus Akhmad Haris, I Nyoman Sujana, I Wayan Suwendra

The purpose of this study was to determine the effectiveness of the application of scientific learning models in social studies learning in the economic education department of Undiksha Economic Faculty with the use of subak as a learning resource. To achieve that goal, this research was conducted with...

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Intellectual Capital Disclosure and Firm Value: Does Jokowi's Era Matter?

Saarce Elsy Hatane, Christine Olivia Angeline, Mayesa Wedysiage, Vanesa Theresa Saputra

The purpose of this study is to observe the impact of Intellectual Capital Disclosure (Human Capital Disclosure, Structural Capital Disclosure, and Relational Capital Disclosure), Firm Size and Leverage towards the firm value (measured by Tobin's Q). This study examines 36 Indonesia's listed companies...

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Productivity Factor Analysis of Timor Coffee in Coffee Industry

Rolland Epafra Fanggidae, Ronald P. C. Fanggidae, Klaasvakumok J. Kamuri Coffee is one of Indonesia's plantation commodities with the sixth largest production volume, even the high coffee production puts Indonesia into the four largest coffee suppliers in the world. East Nusa Tenggara (NTT) has good potential, spread throughout districts / cities in NTT. Timor Tengah Selatan...

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An Analysis of Information Materiality on Corporate Sustainability Report: A Comprehensive Study from Mining Industry in Indonesia

Putu Sukma Kurniawan, Astawa Sujana, Dewi I Gede Putu Banu, Luh Gede Kusuma

This research aims to provide an overview of information that is material in sustainability reporting in Indonesia, especially material information in a sustainability report in the mining industry in Indonesia. The design of this research is document analysis. In this context, this study tries to achieve...

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The Economic Impact of Mount Agung Eruption on Bali Tourism

Putu Indah Rahmawati, Nana Trianasari, A.A.Ngr.Yudha Martin

This study aims to analyse the economic impact of Mount Agung eruption in 2017 on Bali tourism. This study uses a qualitative research approach. Data was collected through interviews with hotel managers and tourism stakeholders in Bali. The research sample was determined by purposive sampling technique....

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Exploring The Transportation Service for Tourists: A Strategic Issue of Small Island Tourism in Nusa Penida

Nana Trianasari, Ni Luh Henny Andayani, I Gede Putra Nugraha

This paper reports on an initial part of a study on strategic issues facing small island tourism. More specifically, this study explored the transportation service available in the island of Nusa Penida, an emerging tourist destination in Bali. The rationale of this study was that limited research that...

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Food Security Based on Pancasila Economic Democracy

Ni Ketut Sari Adnyani

The objectives of the research are to know the development of the principles of populist economics in a social policy to support the improvement of the welfare of cashew farmers and realize food security. Determination of research subjects with stratified random sampling. Data analysis techniques were...

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Why do Women Choose to Continue Their Studies in Tourism?

Ni Made Ary Widiastini, Made Aristia Prayudi, Nyoman Dini Andiani

In the current development, women have improved their education in general. The presence of various forms of awareness for women to improve their quality through further study can be seen in various walks of life. In fact, specifically in Bali, the adherence to two systems putting men as the main power...

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The Comparison of Earnings Management Practices in Indonesia's Islamic Banks and Conventional Banks

Saarce Elsy Hatane, Ferina Octavia, Jeannete Florentina

Banking sector is playing an important role in the economic stability of a country which also cannot be avoided earnings management practices. Islamic banks have grown rapidly in Indonesia, and are seen as more conservative than conventional banks. This conservative attitude is reflected in the size...

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Culinary Experience of Domestic Tourists in Indonesia: A Study on Denpasar and Yogyakarta Tourist Destinations

Monika Kristanti, Regina Jokom, Deborah C. Widjaja

Denpasar and Yogyakarta are two among five gastronomy destinations being promoted by the government of Indonesia to the international tourist market.

This research aimed to analyze the effects of culinary experience quality towards tourists culinary experience satisfaction and destination experience...

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The Influence of Fraud Triangle and Theory of Planned Behavior on Students Academic Fraud in Bali

Made Ary Meitriana, I Kadek Rai Suwena, Luh Indrayani

This study aims to find out the effect of Fraud Triangle (X1) and Theory of Planned Behavior (TPB) (X2) on Academic Fraud (Y) by college students in Bali. The result of this study was hoped in providing the input for the lecturers in the learning process, especially when presenting the midterm or final...

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Entrepreneurship Forming Through Entrepreneur Education

M. Rudi Irwansyah, Lulup Endah Tripalupi

This study aims to determine the effect of entrepreneurship education to the entrepreneurial intention and the influence of entrepreneurship education in establishing the students' entrepreneurial intention at Ganesha University of Education. This study uses causalitative research design. The population...

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The Impact of Accounting Knowledge and Training towards The Use of Accounting Information on The Owners of MSME in Badung

Putu Diah Asrida

The failure of MSME players is mostly seen from the low quality of human resources in managing accounting information that has an important role in the

success of a company business. The method of determining the sample in this study is non probability sampling, with the number of samples is 64. The...

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Impact of Part Time, Flexitime and Reward on Productivity (Case Study on Grab Online Transportation Partners in Kupang City)

Allen Bengngu, Paulina Yuritha Amtiran, Rolland Epafras Fanggidae
The millennial era is currently causing a rapid social change in society, including in the thriving business world using internet technology in running its business known as online business. An online business that is growing and is widely used is an online business in the field of services, namely Online...

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Competence Analysis of Internal Supervision Unit Auditor (SPI) in Nusa Cendana University of Kupang

Minarni Anaci Dethan, Pius Bumi Kellen, Maria E. D. Tunti, Anthon Simon Y. Kerihi

University as an education center to develop and transform knowledge through education, research and community service requires good governance for improving and advancing universities. In order to achieve good governance, competent Internal Supervision Unit (SPI) auditors are needed. This study aims...

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Women's Empowerment Model: A Strategy for Increasing Local Economic Resources

I Gusti Ayu Purnamawati, I Gede Agus Pertama Yudiantara, Ni Luh Gede Erni Sulindawati

This study aims to analyze: Women's Empowerment Model: A Strategy For Increasing Local Economic Resources. The location of the study was determined in seven rural and urban areas which included creative industry centers in Buleleng Regency. A number of key informants are set as many as 50 people who...

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Differentiation Strategy and Market Competition as Determinants of Earnings Management

Retnaningtyas Widuri, Jennifer Evelin Sutanto

This study examines the relationships among differentiation strategy, market competition, and earnings management. This study focuses on real earnings management used by many companies to manipulate earnings. We perform cross-sectional regression for each manufacturing sub-sector and year where there...

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Understanding Residual Business Result Beyond the Straightaway Profit: A Case Study from Cooperative in Indonesia

Lucy Sri Musmini, Unti Ludigdo, Roekhudin Roekhudin, Wuyan Andayani
Profit as a company goal has a different meaning from the residual business result (Sisa Hasil Usaha/SHU) in the cooperative. This study aims to understand the meaning of residual business results (SHU) in cooperatives with a transcendental phenomenological approach. The findings show that there are...

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Culinary and Destination Experiences of International Tourists in Bandung and Solo: The Effect on Behavioral Intentions

Deborah C. Widjaja, Serli Wijaya, Regina Jokom, Monika Kristanti

Culinary tourism allows tourists to be exposed to new cultures by enjoying the local food as well as the local people hospitality. Previous studies have confirmed the linkages among experience quality, tourist satisfaction, destination experience and behavioral intentions in the context of culinary tourism....

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An Analysis of Learning Devices Need in Budget Reporting

Ni Luh Gede Erni Sulindawati, I Gede Agus Pertama Yudiantara, Lucy Sri Musmini

This article aims to examine the needs for learning devices in budget reporting to improve students' ability in learning. This study used the procedures of qualitative data analysis. The results of the study showed that the learning devices needed include course contracts, syllabi, semester course plans,...

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The Online Transportation from The Perspective of Strategic Entrepreneurship

Nana Trianasari, I Wayan Bagia, Fridayana Yudiaatmaja

In this era of information and technology, on line transportation has become an emerging issue both within academic and business aspects. In fact, it is one of the breaking through of creative and innovative ideas. However, although empirically, the rapid growth of online transportation has been evident,...

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The Firm Life Cycle Dynamics of Tax Avoidance

Yenni Mangoting, Claudia Tysia Onggara

This paper aimed at finding out whether tax avoidance differed across firm life cycle (FLC). We used cash flows pattern as a proxy to identify FLC into 4 phases, namely introduction, growth, mature, and decline. Tax avoidance was measured using effective tax rate (ETR) to show the impact of this practice...

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The Typology of Wellness Tourism in Bali

I Gede Darmawijaya, Ni Ketut Sekarti, Ni Made Tirtawati

Bali is becoming world wellness tourism destination. To strengthen its image, it is necessary to investigate the quality and typology of wellness tourism in Bali. The objectives of this research were to identify the tourists' preferences toward wellness tourism products, tourists' perception towards...

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Investigating The Success of Public Procurement Innovation in Government Organization: Does e-Procurement Really Work?

Made Aristia Prayudi, Nyoman Trisna Herawati, Luh Gede Kusuma Dewi

Despite the lengthy implementation periods of electronic procurement (e-procurement) as one of strategic public innovations, there is still a lack of empirical research on its potential benefits and outcomes in the context of governmental sector. Meanwhile, the examination about how the competitive environment...

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Is Inefficiency Still A Major Problem in Regional Spending and How To Overcome It? (Case Study of East Kalimantan Province)

Salmah Pattisahusiwa, Musviyanti Musviyanti, Ibnu Abni Lahaya

Management of performance-based budgeting provides a more specifically related to the ability of an area to always explore the potential of the area in order to increase budget revenues, which will have an impact on governance and financing capabilities of regional development activities. Specifically,...

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An Analysis of Cooperative Performance Using Balanced Scorecard Method

I Wayan Suwendra, I Nyoman Sujana, Iyus A. Haris

This study aimed at finding out cooperative performance using Balance Scorecard method in the period of 2013- 2017. This study was conducted in from July to September, 2018 using a descriptive method. The data were collected through documentation, interview and questionnaire. The result showed that the...

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Implication of Financial Information Services System (SLIK): Case Study on BPR Christa Jaya Perdana Kupang

Romana Ruan Tilis, Paulina Yuritha Amtiran, Marselina Ratu

The study, entitled Implications of the Financial Information Service System (SLIK) in Providing Credit Case Study PT. Christa Jaya Perdana Kupang BPR aims to find out the influence or the implications of the financial information system in providing credit at PT. BPR Christa Jaya Perdana Kupang. The...

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The Optimizing Strategies of Village Fund in The New Villages of Southwest Sumba District-East of Nusa Tenggara

Ni Putu Nursiani, Marselina Ratu, I Komang Arthana, Wiendiyati Wiendiyati

This study aims to develop Management Strategy Model to optimize the potential income of new villages in order to improve the welfare of people in Southwest Sumba Regency East Nusa Tenggara Province. By exposing LQ calculation in the first year, this research found that the potential income sector are...

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Use of Time-Driven Activity-Based Costing to Calculate the Unit Cost per Students at Faculty of Economics of Universitas Pendidikan Ganesha

Ni Wayan Yulianita Dewi, Gusti Ayu Ketut Rencana Sari Dewi, Made Arie Wahyuni

Universitas Pendidikan Ganesha (Undiksha) is one of the state universities that has changed its status to become a Public Service Agency (Badan Layanan Umum/BLU). As a consequence of these, Undiksha has the flexibility to carry out financial management based on various regulations and policies regarding...

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Cultural Values in Modern Context: Developing Heritage As an Alternative Tourism in North of Bali

Nyoman Dini Andiani, Wiendiyati Wiendiyati

This paper aims to describe a form of an alternative tourism based on the needs and social capital culture owned by the community. Observation techniques and in-depth interviews conducted to determine the needs and capital owned by local people whose lands are developed as a regional tourism. The findings...

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Poverty Reduction Through Strategy of Regional Tourism Development

Gede Putu Agus Jana Susila, I Nengah Suarmanayasa, Wayan Cipta

Tourism is a sector of global economic activity that is utilized by various countries in the world to increase their participation in economic growth. The purpose of this study was to find out poverty reduction strategies by developing regional tourism in Bangli Regency. This study used quantitative...

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Learning Style Preferences and Self-Regulated Learning and Their Effects on Learning Outcomes Students of The Accounting Education Study Program Faculty of Education - The Islamic University of Riau

Purba Andy Wijaya, Nurhuda Nurhuda

This study aims to identify students' learning styles, self-regulation, and learning outcomes of students in learning. This research is an explanatory research using survey approach. Students' learning styles of accounting education have sensing and thinking in high category of self regulation. The study...

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Library Service Productivity in Building Learning Communities

Kadek Rai Suwena, Luh Indrayani, Rahutama Atidira

Productivity is a measure of success that states the results bigness (target) ratio of both quantity and quality within a certain period of time is produced. The

greater the ratio achieved, the higher the level of productivity. The productivity measurement was expressed in an indirect qualitative with...

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The Effect of Blended Learning Method Toward Entrepreneurship Learning Activity and Learning Outcome of Economics Undergraduate Students

Putu Eka Dianita Marvilianti Dewi, Lulup Endah Tripalupi, M. Rudi Irwansyah

The purpose of this study was to examine the effect of learning activities and entrepreneurial learning outcomes between students who applied the blended learning model with conventional learning models. In addition to knowing the increase in learning activities and entrepreneurial learning outcomes...

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The Analysis of Technology Acceptance Model (TAM) on The Use of Accounting Information System

I Putu Julianto, I Nyoman Putra Yasa

This study aims at examining the behavioral aspects of the use of accounting information system at the Village Credit Institution (which is locally known as LPD) in Buleleng Regency which was tested by using the Technology Acceptance Model (TAM). This research was conducted using the survey method by...

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The Role of Government, Entrepreneurship, and Business Competence In Order To Improve The Competitiveness of Micro, Small, and Medium Enterprises (MSMEs)

Gede Adi Yuniarta, I Putu Gede Diatmika, Wayan Cipta

Micro, small and medium enterprises (MSMEs) have a very large role in the Indonesian economy. For this reason, MSMEs must be empowered by increasing their competitiveness. The seriousness of the government's role in improving the performance and competitiveness of MSMEs is needed, including how to foster...

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Strategy to Accelerate The Development of Indonesia's National Border Village in Belu, East Nusa Tenggara Province

Sarinah Joyce Margaret Rafael, Linda Lomi Ga, Tarsisius Timuneno, Khalid Moenardy

The aim of this study is to formulate the strategies to accelerate the development of Indonesia's national border village in Belu in order to improve the welfare society. The qualitative approach is carried out by mapping existing condition through SWOT analysis. The results of the SWOT analysis are...

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Value-Based Management Assessment and The Improvement of Creditors' and Investors' Confidence in Bali

I Putu Gede Diatmika, Gede Adi Yuniarta, Gede Agus Pertama Yudiantara

The main purpose of preparing financial statements is to provide information to investors and creditors. Financial performance is needed by investors and creditors to ensure that the funds they have given to the company are guaranteed in the form of investment and loans. Financial performance is calculated...

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Debt Financing Behavior of SME's Entrepreneurs

Ni Made Suci, Ni Nyoman Yulianthini, Ni Made Dwi Ariani Mayasari

This study aims to know the role of mediation of entrepreneurial achievement motivation on the influence of entrepreneur's self efficacy and social environment on SMEs debt financing decisions. The study on 180 SME entrepreneur's handicraft sector in the Bali Province which was determined by purposive...

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Character-Based Education to Develop Culture of Entrepreneurship in Higher Education

Naswan Suharsono, Putu Indah Rahmawati, M. Rudi Irwansyah

This research aims to produce an alternative integrated entrepreneurship education model for micro and small-scale enterprises (MSEs) to develop a university-based entrepreneurship culture. Supporting facilities should be available for The Entrepreneurship Education System to increase the behavioral...

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Analysis of Competitive Advantages at PT. Dipo Star Finance Bali Branch

Ni Nyoman Yulianthini, Ni Luh Wayan Sayang Telagawathi, Komang Krisna Heryanda

The purpose of this study was to determine the competitive advantage of PT. Dipo Star Finance's Bali Branch through Analysis of Strengths, Weaknesses, Opportunities and Threats (SWOT). Data collection through interviews with predetermined sources. This study was analyzed qualitatively. The results of...

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The Comparison of Earnings Management Practices in Indonesia's Islamic Banks and Conventional Banks

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Abstract - Banking sector is playing an important role in the economic stability of a country which also cannot be avoided earnings management practices. Islamic banks have grown rapidly in Indonesia, and are seen as more conservative than conventional banks. This conservative attitude is reflected in the size of the loan loss provision, which is an indicator of earnings management in the banking sector. This study aims to compare earnings management practices and their components between Islamic banks and conventional banks. This empirical study is conducted using a sample of 11 Islamic banks and 40 conventional banks in Indonesia during a period that ranges from 2011 to 2017. The comparison model is estimated using independent sample T-test. This study found that the earnings managements practices is estimated significantly different between Islamic banks and conventional banks. This significant difference is probably caused by differences in organizational goals, in which Islamic banks are not fully profit oriented. The high level of loan loss provisions in Islamic banks indicates a high level of prudence in this type of bank. This study gives insight for the stakeholders about the earnings management practices both in Islamic and conventional banks. This study also can be used as a reference for those banks to improve their loan performance in elevating their profitability.

Keywords - Conventional banks; Earning managements; Indonesia; Islamic banks; Loan loss provisions.

I. INTRODUCTION

Banking sector has become an important role in keeping the economic stability and the wealth of a country. Some studies have discussed some earnings management of the banks. Based on the previous study, banks around the world have applied the earnings management (Mersni and Othman, 2016; Othman and Mersni, 2014; Quttainah *et al.*, 2013). Since the banking is quite essential, earnings management application in banking sector is riskier than other sectors (Mersni and Othman, 2016).

Similarly, the main motivation done in earnings management in banking sector is to minimize the earnings volatility (Othman and Mersni, 2014). Also, banking sector has a problem in information asymmetry and conflict of interest like other sectors that leads to opportunist behavior. However, Islamic banks consider it is against ethical values and moral values based on Islamic rules (Mersni and Othman, 2016).

In doing earnings management, banks mostly use loan loss provisioning (Azzali *et al.*, 2014; Mersni and Othman, 2016; Othman and Mersni, 2014). Bank of Indonesia, issuing the regulation number 14/15/PBI/2012 that require all of the conventional banks to create loan loss provision. The establishment of loan loss provisions aims to reduce the risks faced by banks when customers are unable to fulfill their obligations. Similarly, Islamic banks create loan loss provision regulated by Bank of Indonesia Regulation Number 5/9/PBI/2003.

Based on the regulation, Bank of Indonesia provides the flexibility for the banks to decide the percentage of loan loss provision as long as it is not violating the regulations. Banks will be able to determine the percentage based on bank policies and some considerations such as economic condition of a country. This flexibility will be harnessed by some managers to manage their earnings.

Even though earnings management techniques have been researched widely in banking sector, there are still limited and inconsistency findings on Islamic banks. Some of the studies state Islamic banks do not use loan loss provision to manage their earnings (Abdelsalam *et al.*, 2016; Quttainah *et al.*, 2013). While other studies argue that just like conventional banks, Islamic banks also do earnings management (Ali *et al.*, 2015; Mismam and Ahmad, 2011; Othman and Mersni, 2014; Taktak *et al.*, 2010; Taktak, 2011). Besides, some particular studies comparing the characteristics of earnings management between conventional banks dan Islamic banks are very limited.

This study use some samples of conventional banks dan Islamic banks in Indonesia. In this case, our contribution for the investors is they are able to know the conservative behavior of Islamic banks and consider it in making decision. The remains of the paper are organized as followed. Section 2 provides backgrounds for the study and develops hypotheses. Section 3 introduces the sample and describes our research design. Section 4 presents empirical results and our analysis. Section 5 concludes the paper.

II. LITERATURE REVIEW

A. Earning Management

In banking sector, the previous research has proved some banking managers use their freedom in accounting regulation to manage the reported earnings (Balboa *et al.*, 2013; Fonseca and Gonzalez, 2008; Olson dan Zoubi, 2014; Othman and Mersni, 2014; Pinho and Martins, 2009; Taktak *et al.*, 2010b). The previous findings have shown the bank's performance is not good enough as the manager will try to cover the information by manipulating the earnings. Other research have figured out it is not only conventional banks, but also Islamic banks will manipulate earnings to produce more earnings (Ben Othman and Mersni, 2014; Hamdi and Zarai, 2012; Mismam and Ahmed, 2011; Taktak, 2011). In Islamic banking, it is true that the concept of earnings management is against the ethical and moral value which become the foundation of these institutions. However, Islamic banks are similar to other companies dealt with asymmetry information and conflict of interests leading to opportunist behavior against the Islamic teaching (Bukhari *et al.*, 2013; Safieddine, 2009; Shamsuddin and Ismail, 2013).

Supporting our assumptions, we have checked some earnings managements in some banks following the model developed by Ben Othman and Mersni (2014).

$$LLP_{it} = \beta_0 + \beta_1 NPL_{it-1} + \beta_2 \Delta NPL_{it} + \beta_3 \Delta TL_{it} + \epsilon_{it} \quad (1)$$

where:

LLP_{it} total LLP for bank *i* at the year *t*, deflated by beginning loans.

NPL_{it-1}	the beginning balance of non-performing loan for bank <i>i</i> at the year <i>t</i> deflated beginning loans.
ΔNPL_{it}	change in the value of non-performing loan for bank <i>i</i> at the year <i>t</i> , deflated by beginning loans.
ΔTL	change in the value of total loan, for bank <i>i</i> at the year <i>t</i> , deflated by beginning loans.

1. Loan Loss Provision (LLP)

Loan loss provision is the expense written into income statement signing manager's assessment to the future loss in the future. It means the growth of loan loss provision decreases the net income. On the other hand, the decline of loan loss provision will rise the net income. Sun and Rath (2010) recorded the supported argument using particular accrual (ex. loan loss provision) to detect earnings management proposed by McNichols (2000) summarizing the profit into two.

First of all, this approach will enable some researchers to develop intuition for main factors influencing accrual characteristics. Next, this approach can be applied to industry with particular business producing specific material accrual. Besides, this problem connected to measure the earnings management with specific accrual does not influence banks and insurance as some specific accrual (loan loss provision in bank case) is material due to the business characteristic.

Therefore, this is the big accrual for the banks and their provision will have a significant effect to the profit so that loan loss provision becomes the essential indicator to earnings management in banking sector.

2. Non Performing Loan (NPL)

According to Barseghyan (2010) and Zeng (2012), NPL is an unwanted side product, credit which is done and considered as "financial defamation" will create bad effect to economic growth.

Based on Bank of Indonesia Regulation Number 17/11/PBI/2015, non performing loan is ratio between the total credit with substandard quality, doubtful, and loss for the total credit. The best standar of NPL based on Bank of Indonesia is NPL under 5%. If a bank has surpassed the limit regulated by Bank of Indonesia, it will be considered as unfit bank.

3. Total Loan (TL)

Based on Bank of Indonesia Regulation Number 19/6/PBI/2017, total loan is the total credit provided by Bank to Bank dan non Bank in Rupiah or foreign currency.

B. Islamic Bank

Islamic banks have special features compared to conventional banks. They have three main products such as fund distribution, fund saving, and banking sharia service. According to Undang-undang Number 21 year 2008, Islamic bank is a bank runs its business based on sharia principles, which are the Islamic principle law in banking service based on fatwa issued by organization whose authority to legalize the fatwa in shariah. Besides, shariah principle are based on justice, benefit, balance dan universal values.

Sharia banking principles are part of Islamic teaching relating to economy which applies the principles not to do the business with the profits (illegal income), maisir (transaction depending on unsure condition and gamble), gharar (transaction with unclear objects), haram (transaction with forbidden objects by shariah), and zalim (transaction with unfairness to other people). In fact, profit sharing principles will create good and fair investment because everyone is able to share either profits or risks happening in the future so that it will lead to balance position between banks and customers.

C. Conventional Bank

According to Undang-undang Number 10 in 1998, conventional bank is a bank runs business conventionally in providing service in payment. In conventional bank, depositor is interested in compensation such as high interest deposit, while shareholders will get optimal spread like high interest deposit and credit. Moreover, the concern of debtor is retrieving low interests so that the cost will be lower. Therefore, there are three concerns that those three sides cannot fit into each other. In this case, a conventional bank only becomes a broker.

III. METHODOLOGY

A. Sample Selection

To test earnings management, this study use samples of Islamic banks and conventional banks in Indonesia over the period 2011 to 2017. This study initially selected 13 Islamic banks from *Otoritas Jasa Keuangan's* Islamic Banking Statistics and 42 conventional banks with data available on Bloomberg database. Then, we selected banks for which annual report is available for seven successive years. This reduced the sample to 11 Islamic banks and 40 conventional banks operating in Indonesia.

B. Research Design

To examine the use of loan loss provision as earnings management's main tool of Islamic banks and compare it to conventional banks in Indonesia, we use one-stage approach. This study measured non-discretionary accruals in Islamic banks and compared them to conventional banks. As is known, non-discretionary components reflect part of uncontrollable factors such as changes in business

conditions. Non-discretionary components cannot be observed directly. Therefore, in this study non-discretionary components will be estimated through variables that reflect the level of loan loss provisions.

Following Mersni and Othman (2014) and Taktak *et al.* (2010), this study consider that Islamic banks operate using sharia principles as guideline. This has caused a different Islamic bank loan scheme from conventional banks. The main financing scheme in Islamic banks consists of Murabahah, Mudharabah and Musyarakah. Therefore, this study use all three schemes to estimate the value of loan loss provisions.

This study estimate the non-discretionary accruals using equation (1). Non-discretionary accruals component is estimated using variables including the beginning balance of non-performing loans, change in non-performing loans and change in total loans. All variables deflated by beginning loans. This is similar to Mersni and Othman (2014) and Othman and Mersni (2016). To find the results of the comparison, we use independent sample T-test for loan loss provisions and each variables.

IV. RESULTS AND DISCUSSION

A. Normality Test

Table I presents the normality of the data used in our estimation. For the normality standard, 3x std error of skewness or kurtosis must be higher than the stat value. And for the Levene's sig value must be higher than 0.05 in order to meet the homogeneity. Based on the table it is known that the data used in this analysis is homogeneous and normal.

Islamic Bank		EM	LLP	NPL	TL
Skewness	Stat	0.2	0.215	0.983	0.103
	Std Error	0.491	0.274	0.379	0.309
	3x Std Error	1.473	0.822	1.137	0.927
Kurtosis	Stat	0.3	0.259	2.428	1.317
	Std Error	0.953	0.146	0.552	0.608
	3x Std Error	2.859	0.438	1.656	1.824
Levene's Test Sig Value		0.519	0.576	0.462	0.232

Source: Author's compilation

Conventional Bank		EM	LLP	NPL	TL
Skewness	Stat	0.366	0.259	0.624	0.092
	Std Error	0.287	0.146	0.267	0.157
	3x Std Error	0.861	0.438	0.801	0.471
Kurtosis	Stat	0.31	1.163	1.521	2.043
	Std Error	0.566	0.291	0.294	0.312
	3x Std Error	1.698	0.873	0.882	0.936
Levene's Test Sig Value		0.519	0.576	0.462	0.232

B. Descriptive Statistics

Table II provides the descriptive analysis for all variables used in our analysis. All of the variables both for the Islamic bank and conventional bank have deviation standard above 1 or close to 1. It shows that the samples of data is spreading from the mean.

Variables	Mean	Min	Max	SD
EM				
IB	-3.6425	-7.15	-0.12	1.77505
CB	-4.4243	-7.55	0.21	1.52480
LLP				
IB	-3.7883	-7.75	-0.06	1.44850
CB	-4.7763	-9.38	-0.18	1.32606
NPL				
IB	-3.6186	-6.91	-0.82	1.12411
CB	-3.9920	-7.36	-0.67	0.94099
TL				
IB	-1.3681	-4.63	1.91	1.14576
CB	-1.7823	-5.09	2.28	1.01636

Source: Author's compilation

C. Independent Sample T-Test

Table III shows the results of comparison of Islamic banks and conventional banks using independent sample t-test. For the purposes of this analysis, we classify the type of bank into two groups. Group 1 is the Islamic banks and group 2 is the conventional banks. The mean difference is the difference of group 1 to group 2 (the value of group 1 – the value of group 2). It is significantly different if the t-value is higher than 1.96 or sig (2-tailed) is maximum lower than standard error (α) 10%.

Variables	Mean Difference	T-value	Result
EM	0.78180**	2.016	IB higher than CB
LLP	0.98807***	5.669	IB higher than CB
NPL	0.37334***	2.899	IB higher than CB
TL	0.41419***	2.752	IB higher than CB

Source: Author's compilation

Notes: Statistical significance at *10%, **5% and ***1%

Just like the study by Othman and Mersni (2014) and Taktak *et al.* (2010), Islamic banks also manage their earnings. Even based on our results, earnings management by Islamic banks is greater than conventional banks as shown in table III. But keep in mind that NPL and TL variables for Islamic banks are also higher than conventional banks. Regarding the LLP variable which is the main tool for earnings management in Islamic banks is also much higher than conventional banks. This is likely to occur due to the type of financing provided by Islamic banks that use a profit sharing principles as stated in Bank of Indonesia

regulation Number 5/9/PBI/2003. The type of financing is known as Mudharabah dan Musyarakah.

Both Mudharabah and Musyarakah provide financing for productive businesses managed by customers. Based on profit sharing principles for Mudharabah scheme, if business gets loss it will be borne completely by Islamic banks as the investors except intentional fault, negligence, or violated agreement. Similar to Musyarakah, if a business has loss, it will be borne by Islamic bank based on the composition and agreement. Besides bearing the business loss, Islamic banks will bear the loss if a customer cannot afford to return the capital after the due date.

Based on the scheme, it shows the risk faced by Islamic banks is higher than conventional banks. The risk of financing productive business is higher as the business conditions is unpredictable dan uncontrollable. The situation is different from conventional banks bearing the loss if only a customer does not pay his installments. However, the bank will not bear the loss of the productive business run by the customer.

Because Islamic banks face greater risks than conventional banks, Islamic banks are more conservative. This conservative behavior is reflected in the policies of Islamic banks that form large loan loss provisions to avoid future losses. Conservative behavior is allowed as long as it does not violate the present regulation.

This analyst is supported by NPL of Islamic bank which is higher than conventional banks drawn in the table III. The higher NPL score in Islamic bank is caused by the soft solution in debt payment. Islamic banks hold the principles to help needy people. Based on the principles, Islamic banks will analyze the reasons why the customers are not able to pay their debts. Bank will see if the customers do not have any money to pay their debts or they can pay the debt but they do not have any willingness to settle it. If the customers are not able to pay, it will be solved by Islamic sharia principle.

For example, if a customer cannot complete his debts, Islamic banks will be allowed to do settlement for the debts by taking Murabahah objects based on some policies. Murabahah objects will be sold based on the market price so that the customer can settle his debts from the selling. If the selling income is more than the remaining debt, it will be owned by the customers. However, if the selling income is smaller than the debts, the remaining will be still the customer's responsibility to pay. In this stage, Islamic bank will ensure if the customer is able to pay or not. If a customer still cannot pay, the bank will release him from the debts.

Islamic banks will emphasize to avoid the conflict by discussing the problems firstly. Islamic banks will try to avoid the settlement by litigation such as *Badan Arbitrase Syariah*. This tendency will lead to the weakness of debt payment by sharia banks.

V. CONCLUSION

The purpose of this study is to compare the practice of earnings management and its components between Islamic banks and conventional banks using data over the period 2011-2017. This study specifically uses loan loss provisions as the main tool used by managers to conduct earnings management.

This study found that earnings management carried out by Islamic banks was higher than conventional banks. However, this result is different from our initial expectations. This study indicate that this is due to the prudent behavior of Islamic banks. Islamic banks deliberately increase the percentage of loan loss provisions

to reduce the risks faced by Islamic banks due to the non-performing loans.

Based on our findings, this study made several recommendations. Banks must pay attention their loan portfolio and be careful in lending a loan to avoid the rate of non-performing loan. On the other hand, the investors may consider the awareness and loan portfolio of Islamic banks before investment.

The limitation of this study is having less number of samples from sharia banks due to unavailable data. For the next research, it would be better to emphasize the smoothing income done by Islamic banks dan conventional banks.

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