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DOES EARNING MANAGEMENT HAPPEN IN ISLAMIC BANK? (INDONESIA AND MALAYSIA COMPARISON)

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Abstract

The purpose of this study was to determine the differences in earnings management practices in Islamic Commercial Banks in Indonesia and Malaysia. The method used in this research is descriptive and comparative method. The results of this study occur earnings management in Islamic banks in Indonesia and Malaysia, and there are significant differences. The results of the SPSS statistical tool obtained a significance value of 0.02 <0.05, so there are significant differences between the practice of earnings management in Islamic Commercial Banks in Indonesia and Malaysia.

Keywords: *Earning Management, Islamic Bank*

1. Introduction

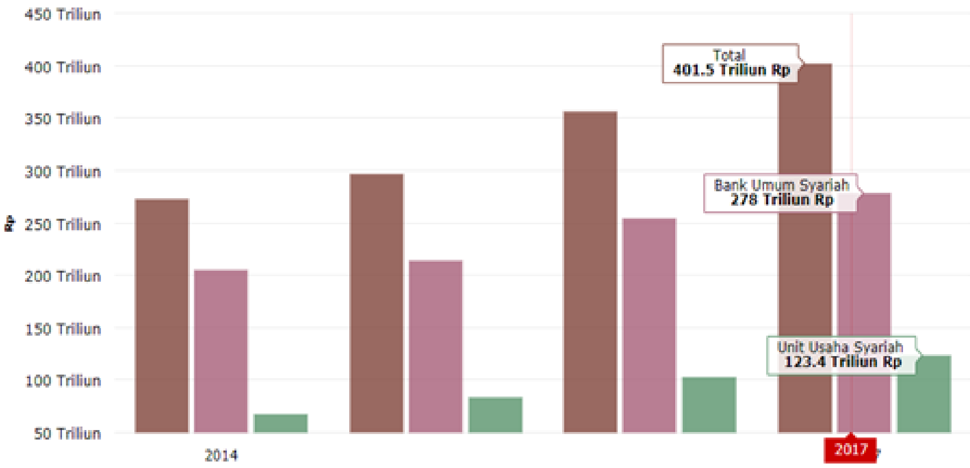
Financial statements are a source of information that can be used by various parties as a basis for making decisions. Furthermore, financial statements are disclosure of financial position and financial performance of an entity (aNugroho et al., 2018). Also, it is by the purpose of the financial statements that it serves to provide information concerning financial position, performance, and changes in the financial position of an entity including sharia entities that are useful for users to make business decisions.

Financial statements are significant for the users as for investors. Investors use financial statements to make investment decisions. Components of financial statements that are often used by investors to measure the performance of a company is a statement of profit (loss) because in the report contains information about a company's earnings for a certain period. Information on earnings as stated in the Statement of Financial Accounting Concepts (SFAC) Number 2 is the main element in the financial statements and is very important for those who use them because they have predictive value. Thus, the party responsible for financial statements is the management of the company. Therefore, company management is also responsible for information on profits reported in the financial statements. Furthermore, earnings information is one of the elements used to measure company performance so that there is a tendency for management to carry out various ways that make it possible to maintain the company's performance while maintaining a good reputation.

Islamic banking has recently experienced a relatively rapid growth The Financial Services Authority (OJK) noted that the distribution of Islamic bank financing in February 2017 reached Rp. 289.99 trillion or grew by 14.76 percent compared to the same period last year. The growth of this financing comes from 13 Sharia Commercial Banks, 21 Sharia Business Units (UUS), and 167 Sharia Rural Credit Agencies (BPR) in Indonesia, indicating growth in the functioning of the intermediation and financial soundness of the Islamic banking industry. The Islamic banking financial ratio is monitored in good condition. The capital adequacy ratio (CAR) is maintained at 18.62 percent. Meanwhile, the ratio of non-performing financing (NPF) was recorded at 4.31 percent or below the OJK safe threshold of 5 percent (Halimah & Komariah, 2017; Soekapdjo et al., 2018).

Furthermore, the total assets of Islamic banks in November 2017 reached Rp. 400 trillion for the first time. Islamic Banking Statistics of the Financial Services Authority (OJK) noted that Islamic bank assets in November 2017 grew 12.6% to Rp 401.45 trillion from the position of the previous year. The amount consists of Rp. 278 trillion Islamic Commercial Bank (BUS/Bank Umum Syariah) and a Sharia Business Unit (UUS/Unit Usaha Syariah) worth Rp. 123.4 trillion. The graph of the development of Islamic banking assets in Indonesia is as follows:

Figure 1.1 Chart of Sharia Banking Asset Growth



Source: https://databoks.katadata.co.id

According to Suryanto (2017) and Sukmadilaga & Nugroho (2017) the growth of Islamic banking assets, the potential for fraud and scandal in Islamic banks has the same possibilities as conventional banks. Cases of corruption that occurred at Bank Jabar Banten Syariah (BJB Syariah) there were allegations of disbursement of fictitious credit/financing by BJB Syariah and high non-performing financing (non-performing financing / NPF) from Bank Muamalat due to a large number of bad loans. Also, the NPF phenomenon of Islamic banking also experienced a significant increase in 2008 of 1.42% to 4.84% in 2015 (Nugroho et al., 2017).

Supposedly, one of the important requirements of Islamic banks on the principle of implementing sharia accounting is to do disclosure with full disclosure without being covered, one of which is halal or illicit income sources as a form of sharia accountability that does not only account financially to capital owners but more accountable to the people of the world and Allah SWT in the hereafter, for all business transactions carried out in Islamic banks so that they can achieve maslahah or social benefits and not bring badness to society (bNugroho et al., 2018).

Islamic accounting has an organization of international sharia accounting standards which serves to diversify the accounting treatment of global sharia financial institutions. The organization of international sharia accounting standards AAOIFI or Accounting and Auditing Organizations for Islamic Financial Institutions is an organization founded in 1991 and based in Bahrain. Central banks or financial authorities have adopted AAOIFI standards in some countries that carry out Islamic finance both in full adoption (mandatory) or as a guiding basis (the basis of guidelines). Some central banks support AAOIFI, financial authorities, financial institutions, accounting and audit companies, and legal institutions in more than 45 countries including Indonesia. Indonesia and Malaysia make sharia standards and AAOIFI accounting standards as a guiding basis for compiling sharia standards and sharia accounting standards (Syafri Harahap, 2003).

Although both countries make AAOIFI a guiding basis for the preparation of sharia accounting standards, Indonesia and in Malaysia have several differences, sharia accounting standards in Indonesia are prepared by the Sharia Accounting Standards Board (DSAS) of the Indonesian Accountants Association based on the approval of the

Indonesian Institute of Accountants National Board. Therefore, provisions related to sharia accounting previously issued by the Sharia Financial Accounting Board (DSAK) are transferred to the Sharia Accounting Standards Board (DSAS), besides that the preparation of sharia accounting standards must also refer to fatwas issued by the Indonesian Ulema Council. However, in Malaysia the Sharia Accounting Standards used are the standards issued by the Malaysia Accounting Standard Board (MASB), where Malaysia also adopted the full International Financial Reporting Standards (IFRS) in 2012, but because IFRS standards do not regulate transactions for the financial system sharia, the Malaysia Accounting Standard Board (MASB) has a Standing Committee on Islamic Financial Reporting that functions as an advisor so that existing or proposed accounting standards can be made applicable to Islamic financial transactions. Also, in Malaysia, special laws are governing the transfer of Islamic finance, namely the Islamic Financial Services Act 2013. Therefore, this study aims to determine are there differences in the practice of earnings management in Islamic Commercial Banks in Indonesia and Malaysia?.

2. Literature Review

2.1 Positive Accounting Theory

This research is based on positive accounting theory from Watts & Zimmerman (1990). Positive accounting theory is an accounting theory consisting of a broader set of principles or concepts that can explain or provide answers to applicable accounting practices and predict phenomena that occur where accounting is applied to construct theories and verify theories. Positive accounting theory arises when Jensen & Meckling (1976) states that research carried out in the field of accounting becomes unscientific because the focus is more normative and definitional. The normative approach further explains what information should be communicated to users of accounting information and how the information is presented rather than explaining why it happened. So the development of positive accounting theory in empirical research needs to be done to provide arguments that can explain accounting practices. There are three reasons for the shifting of normative to positive accounting theory which includes: (i) the inability of the normative approach to test theory empirically; (ii) the normative approach is more focused on the prosperity of investors individually than the wider community; (iii) the normative approach does not encourage or allow the optimal allocation of economic resources in the capital market. Empirical research is emphasized to test the truth of a theory. A positive theory view states that a theory that can survive is a theory that is empirically tested and able to explain the reality in the capital market. Positive accounting theory aims to emphasize the importance of empirical research to justify various accounting methods and practices that are now valid with a descriptive approach. A positive approach is also expected to provide a basis for in-depth empirical research in the field of accounting theory.

2.2 Agency Theory

According to Jensen & Meckling (1976) and Utami (2015) agency relations as a contract in which one or more principals hire other people (agents) to do some services for their interests by delegating some decision-making authority to the agent. Conflict of interest will arise from a delegation of tasks given to agents, namely agents, not in the interests of maximizing the welfare of owners but tend to pursue their interests at the expense of the interests of the owner. This contractual relationship is usually carried out using the accounting numbers stated in the financial statements as the basis. Because of the possibility of the agent not always acting by the interests of the principals. Therefore, Francis & Wilson (1988) suggest that to reduce conflict of interest, principals can supervise in the form of the presentation of periodic financial statements made by agents with the existence of an audit function. So, to reduce conflicts of interest, the agent must account for the trust given by the principals through audited financial statements. Audited financial statements can provide adequate assurance that the financial statements presented by the agent are free of material misstatements, thus ensuring stakeholders. Besides the existence of conflicts of interest, the delegation of tasks given to agents of principals can lead to information asymmetry, According to Scott, (2009: 13) information asymmetry is a condition where there is an imbalance in information acquisition between management as a provider of information with shareholders and stakeholders in general as information users (users). There are two types of asymmetrical information, namely: (i) Adverse selection, namely that managers and other insiders usually know more about the condition and prospects of the company than outside investors and facts that may can influence the decisions that will be taken by the shareholders not to convey information to shareholders; (ii) Moral hazard, namely that activities carried out by a manager are not entirely known by shareholders or lenders. So that managers can take action beyond the knowledge of shareholders who violate the contract and ethically or norms may not be feasible.

2.3 Earning Management

Operational accounting profit is defined as the difference between realized revenues derived from transactions in a period and related to historical costs (Riahi-Belkaoui, 2004), whereas according to Agustina & Kianto (2013), accounting profits can be interpreted through three approaches: (i) In terms of syntax, profit is defined as the difference between income and expenses. Profits are considered to have arisen if there is an increase in the value of the net assets as a result of the transaction; (ii) Profit regarding semantics is interpreted as being welfare or interpreted as a change in prosperity, or a change in capital. Someone is said to be prosperous if a person can consume a flow of services or prosperity for a certain period and at the same time at the end of the period as at the beginning of the period; (iii) Accounting earnings regarding pragmatics have the following meanings:

- Profit as a predictor, profit figures can provide information as a tool for estimating and estimating cash flow for dividend distribution, and as a tool to assess the company's ability to predict earnings power and company value in the future;
- Profit as a management control tool, profit can be used as a benchmark for management in measuring the performance of managers or divisions of a company.

The announcement of the issuer's financial statements, especially the statement of financial position and comprehensive income statement is a moment awaited by investors in the stock market, because with the financial statements investors can find out the performance achievement of the issuer so that it can be used as a consideration to buy or sell shares they have. The profit achieved by the company is one measure of performance and becomes an investor's consideration in making investment decisions. Godfrey et al. (2010) and cNugroho et al., (2018) state that one of the factors expected to be increased by investors is company profits. The higher the company's profit, the higher the income per share obtained by investors. Therefore, in making investments, investors will always look for information about the company's financial statements that can forecast company profits. Thus, financial information that publishes information on profits obtained in a period will affect investor expectations related to the ability of the company to generate profits in the future and will be reflected in changes in the price of shares of the company concerned in the capital market. When annual profits are announced, investors will immediately react to reported earnings information.

Accounting standards have limitations that can make financial statements less reliable (reliable). These limitations include flexibility in the application of accounting methods that lead to opportunities for management to conduct subjectivity in using the chosen accounting method and the timing of discretionary expenditures that can be used by management to influence profits by accelerating or delaying these expenses and shifting in another period. This financial report limitation is what causes earnings management activities by the company management to the company's financial statements. Riahi-Belkaoui (2004) defines earnings management as an intervention with a specific intention to process external financial reporting intentionally to obtain some personal benefits while according to Scott (1997) earnings management can be described as management behavior in selecting specific accounting policies, or through the application of certain activities, which aims to influence profits to achieve a specific goal.

An understanding of earnings management can be divided into two perspectives — first, earnings management from the perspective as the manager's opportunistic behavior to maximize its utility in the face of compensation contracts, debt contracts, and political costs. Second, earnings management from the perspective of efficient contracting, where earnings management gives managers the flexibility to protect themselves and the company in anticipating unexpected events for the benefit of the parties involved in the contract (Scott, 1997). According to Healy & Wahlen (1999), earnings management occurs when managers use their considerations in financial reporting and preparation of transactions to change financial statements, with the aim of manipulating reported earnings to stakeholders related to the economic performance of the company or to influence the outcome of the agreement (contract) based on the reported accounting figures. Healy & Wahlen (1999) also states that the definition of earnings management contains several aspects as follow:

- Earnings management interventions on financial reporting can be done using judgment, for example, judgment is needed in estimating the number of future economic events to be shown in financial statements, such as estimated economic life and residual value of fixed assets, liabilities for pensions, deferred taxes, losses receivables and impairment of assets. Also, managers also have choices for accounting methods, such as depreciation methods and cost methods.
- The purpose of earnings management is to mislead stakeholders regarding the company's economic performance; this arises when management has access to information that is not accessible to outsiders.

2.4 Discretionary Accruals

Detection of the possibility of doing earnings management in financial statements is generally examined through the use of accruals. Accrual basis has been agreed as the basis for preparing financial statements, accrual basis is seen as more rational and fair compared to the cash basis. The purpose of accrual basis selection is to make financial statements more informative, namely financial statements that reflect the actual conditions. However, this accrual basis can be slightly changed, so that it can change the rate of profit generated. These opportunities are often used by managers when they want certain incentives for themselves. Financial accounting standards use accrual basis in preparing financial statements to be able to achieve financial reporting objectives. The main purpose of accrual accounting is to protect investors in estimating the economic performance of a company over a period, through the use of basic accounting principles such as revenue recognition and revenue comparison. On this accrual basis, the effect of transactions and other events is recognized at the time of the event (not when cash or cash equivalents are received or paid) and recorded in accounting records and reported in the financial statements of the period. Financial statements prepared based on accruals provide information to users not only past transactions involving cash receipts or payments, but also future cash payment obligations and resources that immediate cash that will be received in the future.

According to Healy & Wahlen (1999), financial statements prepared on an accrual basis are expected to reflect the real conditions of the company. In applying accrual policy, accruals, referrals are used, and allocation procedures aim to adjust the burden and income with the period, rather than linking expenses and income based on expenditure and cash receipts (cash basis). Therefore, accrual policy in applying accounting standards can be used to conduct earnings management. For example, to increase profits, management can take advantage of judgment by lowering the estimated level of uncollectible accounts or extending the period of depreciation of assets, changing the accounting method for depreciation of fixed assets, and can shift costs and revenues. According to Scott (1997) that the development of earnings management conducted through accrual basis is caused by three things which include: (i) accruals are the main subject of generally accepted accounting principles, and earnings management has more opportunities to occur on accrual-based reports compared to reports cash-based; (ii) Studying accruals will reduce problems that arise in measuring the impact of various choices of accounting methods on profit; (iii) If the indication of earnings management is not observed from accruals, the investor will not be able to explain the impact of management on the income reported by the company.

There are two accrual concepts, namely: discretionary accrual and non-discretionary accrual. Discretionary accrual is the recognition of profit or expense accruals that are free, unregulated and are a management policy choice. According to Riahi-Belkaoui (2004) discretionary accruals is a way to reduce earnings reporting that is difficult to detect through manipulation of accounting policies related to accruals, for example by increased amortization and depreciation costs, recording large liabilities for product guarantees, contingencies and price discounts and records obsolete inventory. Non-discretionary accrual is the recognition of reasonable profit accruals, which are subject to generally accepted accounting standards or principles. Non-discretionary accruals are reasonable accruals, and if violated will affect the quality of financial statements (unnatural). Therefore the accrual form analyzed in this study is a form of discretionary accrual which is abnormal accruals and is a management policy choice in selecting accounting methods. The discretionary accrual value used in the analysis is the absolute value, this study uses absolute value because what is to be measured is the magnitude of Profit Management, where the higher the absolute discretionary accrual value indicates the higher earnings management.

The model used to measure earnings management in this study is the Jones model modified by Dechow et al. (1995), the reason for choosing this model is because it is considered better among other models for measuring earnings management because this model separates non-discretionary accruals with discretionary accruals. The stages of discretionary accruals include:

a. TAit = Nit – CFOit

Remark:
- TA_{it} = the total Sharia Bank that carries out accrual policy is i in period t
- N_{it} = Islamic bank net income i in period t
- CFO_{it} = cash flow from operating activities of company i in period t

b. $TA_{it} / A_{it-1} (TA_{it}) = \alpha_1 (1/ A_{it-1}) + \alpha_2 (\Delta REV_{it} / A_{it-1} - \Delta REC_{it} / A_{it-1}) + \alpha_3 (PPE_{it} / A_{it-1})$

Remark:
- TA_{it} / A_{it-1} = total Islamic banks that carry out accrual policy i for year t, divided by total assets of Islamic banks i at the end of year t-1
- TA_{it} = the total Sharia Bank that carries out accrual policy is i in period t
- A_{it-1} = total assets for Islamic banks i at the end of year t-1

Then the equation is estimated and used to calculate the nondiscretionary accruals as follows:

$$NDA_{it} = \alpha_1 (1/A_{it-1}) + \alpha_2 (\Delta REV_{it} / A_{it-1} - \Delta REC_{it} / A_{it-1}) + \alpha_3 (PPE_{it} / A_{it-1})$$

Furthermore, after obtaining the value of nondiscretionary accruals, the value of the discretionary accruals can be calculated using the formula:

$$DA_{it} = TA_{it} - NDA_{it}$$

Remark :
- DA_{it} = total discretionary accruals of Islamic banks i in period t

2.5 Conceptual Framework

Agency theory can be seen as a version of game theory (Noviana & Yuyetta, 2011; Azlina, 2012; Hill & Jones, 1992) which makes a contractual model between two parties called an agent and another party is called a principal. The Principal delegates responsibility for decision making to the agent, this can also be said that the principal gives a mandate to the agent to carry out specific tasks by the agreed work contract. The authority and responsibility of the agent and principal are regulated in the work contract with the agreement. Management as a company manager knows more about internal information and future company prospects than the owner (shareholder). Therefore as a manager, management is obliged to give a signal about the condition of the company to the owner. The signal provided can be done through the disclosure of accounting information such as financial statements. The financial statements are intended to be used by various parties, including the management of the company itself. However, those who are most interested in financial statements are external users (outside of management).

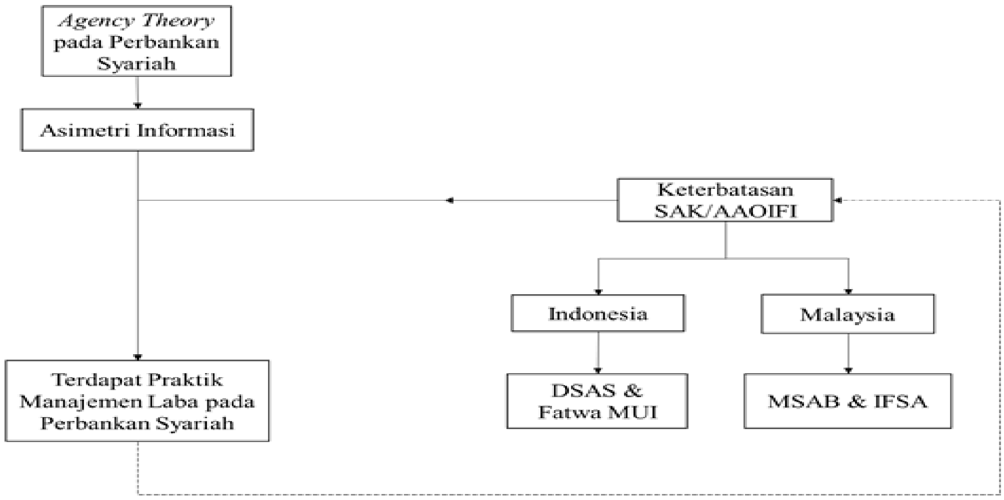
These financial statements are essential for external users especially because this group is in the most uncertain condition (McNally et al., 1982; Lisa, 2012). Internal users (management) have a direct relationship with the entity or company and know the significant events that occur. Thus, the level of dependence on accounting information is not as strong as those of external users. Management or agent has more information (full information) than the principal on the other side, giving rise to asymmetric information. Information that is more owned by managers can trigger to take actions by the desires and interests to maximize their utility. Whereas for investors in this case investors, it will be difficult to effectively control the actions taken by management because they only have little information available. Therefore, sometimes specific policies are carried out by company management without the knowledge of the capital owners or investors.

According to Elsa et al., (2018) and Padmantyo, (2011), agency theory is very relevant for Islamic banking. This is related to the problem of the level of accountability and transparency in the use of customer funds. First, regarding "liabilities" because Islamic banking must account for various categories of investor funds carried out through some specific investment contracts in Islamic banking. Second, from the "assets" revenue-based financing (financing) carried out by Islamic banking requires an effective "monitoring" process to provide confidence that funded projects have adequate supervision and reporting to prevent moral hazard and mismanagement such as engineering profit. Although theoretically, the system implemented by Islamic banking can prevent moral hazard and mismanagement from occurring, in practice there can be a conflict of interest between the agent and the principal. One form of conflict of interest is the practice of earnings management.

Riahi-Belkaoui (2004) defines earnings management as an intervention with a specific intention to deliberate the external financial reporting process to obtain some personal benefits. According to Healy & Wahlen (1999) and Elias (2002), earnings management occurs when managers use judgment in financial reporting and preparation of transactions to change financial statements, with the aim of manipulating the magnitude of profits to several stakeholders about the company's economic performance or to influence the outcome of the agreement (contract) which depends on the accounting figures reported. Detection of the possibility of doing earnings management in financial statements is generally examined through the use of accruals. Financial accounting standards use accrual basis in preparing financial statements to be able to achieve financial reporting objectives. The primary purpose of accrual accounting is to protect investors in estimating the economic performance of a company over a period, through the use of basic accounting principles such as revenue recognition and comparison, there are two accrual concepts, namely: discretionary accrual and non-discretionary accrual. According to Dechow et al., (2003), discretionary accrual is the recognition of profit accruals that are free, unregulated and are management policy choices while non-discretionary accruals are reasonable accruals, and if violated will affect the quality of financial statements (unnatural). Therefore, the accrual form analyzed in this study is a form of discretionary accrual which is an abnormal accrual and is a management policy choice in the selection of accounting methods.

Abdullah & Razazila, (2012). Shows that the practice of earnings management in the form of income decreases occurs in Shariah-approved companies. Padmantyo (2011) stated that the earnings management actions carried out were by doing smoothening of profit and lost sharing deposit returns, namely by providing incentives in the form of returns to Investment Account Holders that matched the market rate as the benchmark. Also, this policy is also often done using bank management forming a reserve fund taken from the allocation portion of IAH from the previous accounting period. Thus, this situation will potentially increase the potential for asymmetric information for sharia banking stakeholders. AAOIFI standards have been adopted by central banks or financial authorities in some countries that carry out Islamic finance both in full adoption (mandatory) or as a guiding basis (the basis of guidelines). Indonesia and Malaysia make AAOIFI a guiding basis in the preparation of sharia accounting standards, but Indonesia and in Malaysia have several differences, the difference is where Islamic accounting standards in Indonesia are compiled by the Sharia Accounting Standards Board (DSAS) of the Indonesian Accountants Association and refer to fatwa issued by the Indonesian Ulema Council (MUI).

Meanwhile, the State of Malaysia Sharia Accounting Standards used are the standards issued by the Malaysia Accounting Standard Board (MASB), Malaysia Accounting Standard Board (MASB) has a Standing Committee on Islamic Financial Reporting that functions as an advisor so that existing or proposed accounting standards can be made applies to Islamic financial transactions. Also, there is a special law in Malaysia that regulates Islamic financial transactions, namely the Islamic Financial Services Act 2013. Based on the description above, the framework can be described as follows:



Based on the conceptual framework described and Figure 1.2 above, the research hypothesis is as follows: "There are differences in earnings management practices in Islamic Commercial Banks in Indonesia and Malaysia."

3. Methodology

The research method used in this study when viewed from the level of exploration is descriptive and comparative methods. Descriptive method is a method used to describe or analyze a research result but not used to make broader conclusions. The comparative method is research that compares the state of one or more variables in two or more different samples or two different times.

3.1. Types, Data Sources of Research, Population, and Sample

This study uses a type of cross-sectional data which is a type of data whose value is taken at a certain time (one shoot time) within the limits that are by certain measurement attributes. The data sources used are secondary data sources, namely data that comes from parties or institutions that have used or published it. Therefore the data used can be ascertained its use and has been published; it is no longer necessary to test the validity and reliability (Gulo, 2002). If there are errors or inaccuracies, it is not the responsibility of the researcher but is the responsibility of the parties or institutions that publish it. The population is a collection of elements that have specific characteristics that can be used to make conclusions. The population in this study is Sharia Commercial Banks in Indonesia, which are 13 banks and in Malaysia which are as many as 15 banks in 2017. The sampling technique used is the census sampling technique, the census is the overall retrieval technique from members of the population.

3.2. Operational Variable

As for providing an overview of the variables under study, the following are presented as follows:

Table 1.3 Operational Variable

Variable	Variable Concept	Indicator	Skala
Earning Management	An intervention with a specific intention to deliberate the process of external financial reporting to obtain some personal benefits (Riahi-Belkaoui, 2004)	Accruals is the difference in Total Accruals with Accrual Non-Discretion $ABSDA_{it} = TA_{it} - NDA_{it}$	Ratio

3.3 Data Analysis Technique

According to Ghozali (2016), a different test t-test is used to determine whether two samples that are not paired or related to each other have different mean values. Not mutually pairing can be interpreted that the study was conducted for two different sample subjects. In this study, the Independent T-test was used to identify earnings management differences in Islamic Commercial Banks in Indonesia and Malaysia. Before the Independent T-test was carried out the normality of the data was tested by the Shapiro-Wilk test. If the data is normally distributed, homogeneity of variance test is performed with the F-Test or Levene's Test. In this study, the two data groups had the same variant so that the Independent T-test test value was read at Equal variance. Data is stated to have the same variance (F) if F-Count <F-Table and vice versa, the data variant is an unequal variance if F-Count> F-Table. The form of the variance of the two data groups will affect the standard error value which will finally distinguish the test formula. The Independent T-test for the same variant (equal variance) test uses the Polled Variance formula. Hypothesis testing is done using the Independent T-test at a 95% confidence level with an error rate of analysis (α) of 5%. The acceptance or rejection criteria for the hypothesis will be based on the p-value. Decisions are based on probability as follows.

- If p-value> 0.05, the hypothesis is rejected (not significant)
- If p-value is <0.05, the hypothesis is accepted (significant)

4. Results and Discussion

4.1. Research Result

Data analysis techniques in this study were carried out by using Independent T-Test, in this case, the analysis was carried out to test hypotheses, before testing the data normality test first as a requirement for parametric statistics. The data normality test uses the Shapiro Wilk test. The decision on the normality test is if the significance value of Shapiro Wilk is greater than 0.05, then the data is normally distributed. Likewise, vice versa if the significance value is smaller than 0.05 then the data is not normally distributed. The following is the data normality test using the Shapiro Wilk test:

Table 1.1 Data Normality Test

Tests of Normality

	Country	Shapiro-Wilk		
		Statistic	df	Sig.
Earning	Indonesia	,554	13	,000
Management	Malaysia	,793	15	,003

a. Lilliefors Significance Correction

Source: SPSS

Based on the results of the above tests (table 1.1), the results obtained are that the data are not normally distributed because the values of the significant level of Shapiro-Wilk are below 0.05, which means that the data are not normally distributed. Therefore, the Independent T-Test cannot be done, considering that the Independent T-Test is a parametric statistic that requires data to be normally distributed. To test the hypothesis, the authors used non-parametric statistics for the unpaired difference test, using the Mann-Whitney Test. The statistical hypothesis is as follows:

- Ho: There are no differences in earnings management practices in Islamic Commercial Banks in Indonesia and Malaysia.
- Ha: There are differences in earnings management practices at Islamic Commercial Banks in Indonesia and Malaysia.

Following are the results of the Mann-Whitney Test as follows:

Table 1.2 Mann-Whitney Test

Test Statistics[b]	Earning Management
Mann-Whitney U	29,000
Wilcoxon W	149,000
Z	-3,157
Asymp. Sig. (2-tailed)	,002
Exact Sig. [2*(1-tailed Sig.)]	,001[a]

a. Not corrected for ties.
b. Grouping Variable: Country

Source: SPSS

Based on the data above (table 1.2), hypothesis testing can be done by comparing the significance level as follows:

- If sign. > 0.05, then Ho is accepted
- If sign. <0.05 so Ho is rejected

Based on table 1.2, it is shown that the significance is 0.02 <0.05, then Ho is rejected, and Ha is accepted, meaning the hypothesis which states that there are differences in earnings management practices at Islamic Commercial Banks in Indonesia and Malaysia are accepted.

4.2. Discussion

This study uses the Mann-Whitney Test to find out whether there are differences in earnings management practices carried out by Islamic banking in Indonesia and Malaysia through discretionary accruals. The average discretionary accrual in Islamic banking in Indonesia is lower compared to Islamic banking in Malaysia. This shows that the business of decreasing profit by management is more significant in Islamic banking in Indonesia compared to Islamic banking in Malaysia. Testing to prove the method of what the company does in doing if the discretionary accrual value is positive (DA> 0) then it can be assumed that a company has implemented earnings management by increasing the company's accrual profit reporting (income maximization). Whereas if the value of discretionary accrual is negative (DA <0), it can be assumed that a company carries out earnings management in the form of decreasing income accruals. Moreover, if the value of discretionary accrual results (DA = 0), the company does not do earnings management.

The lowest discretionary accrual value in Islamic banking in Indonesia is -0.138 (DA <0) owned by Bank Muamalat Indonesia (BMI). This means that the Islamic banking made the highest profit reduction among the 13 other Islamic banks in Indonesia because the discretionary accrual value of BMI has a negative discretionary accrual value (DA <0) and has the lowest DA value of other Islamic banking. So that it can be said that Islamic banking practices earnings management in the form of accrual income reduction (income minimization). The highest discretionary accrual value in Islamic banking in Indonesia is 0.607 (DA> 0) owned by Bank Aceh Syariah (BAC). This means that the Islamic banking has the highest profit increase among the 13 other Islamic banks in Indonesia because the discretionary accrual value of BMI has a positive discretionary accrual value (DA> 0) and has the highest DA value of other

Islamic banking. So that it can be said that Islamic banking practices earnings management in the form of accrual earnings increase (income maximization).
The lowest discretionary accrual value in Islamic banking in Malaysia is -0,138 (DA <0) owned by Al Rajhi Banking & Investment Corporation (Malaysia) Berhad (Al Rajhi Bank). This means that the Islamic banking made the highest profit reduction among 15 other Islamic banks in Malaysia because the discretionary accrual value of BMI has a negative discretionary accrual value (DA <0) and has the lowest DA value of other Islamic banking. So that it can be said that Islamic banking practices earnings management in the form of accrual income reduction (income minimization). The highest discretionary accrual value in Islamic banking in Malaysia is 0.041 (DA> 0) owned by AmBank Islamic Berhad (AmBank). This means that the Islamic banking has the highest profit increase among the 15 other Islamic banks in Malaysia because the discretionary accrual value of BMI has a positive discretionary accrual value (DA> 0) and has the highest DA value from other Islamic banking. So that it can be said that Islamic banking practices earnings management in the form of accrual earnings increase (income maximization). Most Islamic banking in Indonesia has decreased profits. As many as ten sharia banks make an effort to reduce profits or around 77% of sharia banks that make a decrease in profits. As well as three other sharia banks or around 23% doing business to increase profits. It can also be seen from the processed discretionary accrual value that Islamic banking in Malaysia decreased profits in 2017. As many as 10 Islamic banks made an effort to decrease profits or around 67% of sharia banks which made a decrease in profit. As well as five other banks or around 33% of Islamic banking in Malaysia that make efforts to increase profit/income maximization.

The results of this study are consistent with the research conducted by Marliana (2017) who examined earnings management in Indonesia and Malaysia in the era of ASEAN economic society. The results of his research proved that there are earnings management practices in Indonesia and Malaysia in the era of the ASEAN Economic Community with observational data up to 2015. This study is also consistent with the research conducted by Putri & Adityawarman (2017) who tested the analysis of the influence of sharia and non-corporate status sharia towards earnings management practices in non-financial service companies in Indonesia. His research proves that the practice of earnings management occurs in companies with sharia status. The research conducted by Abdullah, & Razazila, (2012) on earnings management: evidence concerning shariah-approved companies in Malaysia was also consistent with this study. The results obtained are the practice of earnings management, namely a decrease in profits occurs in companies with sharia status.

5. Conclusion

After testing using the Mann-Whitney Test with a significance result of 0.02 or <0.05, it can be concluded that there are differences in earnings management practices in Islamic Commercial Banks in Indonesia and Malaysia. The implications of this research are expected to be an evaluation material to improve the quality of reporting of financial information that can minimize earnings management practices that conflict with sharia principles in Indonesia and Malaysia.

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