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# ANALYSIS OF COMMON-SIZE IMPLEMENTATION IN SHARIA FINANCIAL REPORTING

**Muhammad Amin Saleh**
Ahbabul Musthofa Ahmad NW Foundation
e-mail: ahbabulmusthofa210389@gmail.com

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**Abstract**

The implementation of common-size analysis in Sharia financial reporting offers an effective approach to enhancing the transparency, comparability, and consistency of financial statements in Islamic financial institutions. This study analyzes how the application of common-size techniques contributes to the quality and clarity of Sharia-compliant financial disclosures. Using a qualitative descriptive method with a case study approach, the research explores the practical aspects and implications of implementing common-size analysis within selected Islamic financial institutions. The findings indicate that common-size analysis supports better financial interpretation, facilitates benchmarking across periods or institutions, and improves overall stakeholder understanding. Moreover, it strengthens external trust by ensuring that financial reports are more accessible and informative. This study highlights the importance of adopting analytical tools such as common-size techniques to advance the practice and credibility of Sharia financial reporting.

**Keywords:** *Common Size, Sharia Financial, Reporting*

## A. INTRODUCTION

Financial statements have a very important role in the sharia framework, especially for financial institutions that operate based on sharia principles. In the Sharia financial system, it is essential to uphold two primary principles: transparency and accountability. These principles ensure that all transactions and financial reports adhere to the relevant Sharia regulations. Harahap (2018) reveals that effective financial reporting not only reflects the financial condition of an entity, but must also provide relevant and reliable information for stakeholders, including investors, debtors, and the wider community.[1]

Innovation in Sharia financial reporting is needed to improve the quality and reliability of the information presented. One innovation that can be applied is common size analysis, which allows users of financial statements to compare report items proportionally. This is particularly important in the Islamic context, where stakeholders need to understand the contribution of each financial statement element to the overall financial performance of the entity.[2]

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[1] Harahap, S.S (2018). *Akuntansi Syariah: Teori dan Praktik.* Jakarta: Salemba Empat.

[2] Ibrohim, M., & Ali, A (2020). *The Role of Common Size Analysis in Finansial Reporting: Evidence from Islamic Banks*. Journal of Islamic Accounting and Business Researcah, 11 (3), 621-634.

At the global level, many developed countries have adopted various innovations in financial reporting to achieve transparency and accountability. This suggests an urgent need to adapt such best practices in Islamic financial reporting.[3] These innovations will not only increase public trust in Islamic financial institutions, but may also attract more investors who seek investment opportunities in accordance with Islamic principles.

Data shows that the Islamic finance market has experienced significant growth in recent years. According to the Global Islamic Finance Report (2022), total Islamic finance assets worldwide have reached more than $3 trillion. This growth reflects the increasing demand for Islamic financial products that comply with sharia principles, making it important for Islamic financial institutions to adapt to innovations in financial reporting in order to remain competitive.[4] Thus, innovative and transparent financial reporting in the context of Islamic law is a crucial effort to improve the competitiveness and sustainability of Islamic financial institutions in the future.

Various studies have been conducted to explore various aspects of Islamic financial reporting and innovations in accounting. One of the relevant studies was conducted by Haniffa and Hudaib (2007) who examined the impact of Islamic financial reporting on investment decisions.[5] This study explains how investor confidence in the Islamic financial sector can be raised by open and accountable reporting.

Furthermore, IFSB (2022) research highlights the significance of innovation in Islamic financial reporting to increase Islamic financial institutions' competitiveness in the global market. According to this study, financial institutions that use more advanced analytical techniques and new technologies typically outperform those that don't..[6]

Another study by Alhabshi and Noor (2016) focused on the application of common size analysis in the financial statements of Islamic banks. The study found that the use of common size analysis can help Islamic banks evaluate their financial performance and improve transparency to stakeholders.[7] The findings suggest that this analysis has the potential to improve decision-making in the context of Islamic financial reporting.

However, despite the existence of several relevant studies, there is still a gap in the literature regarding the application of common size analysis in the context of Islamic financial reporting. Most of the previous studies focused more on theoretical aspects rather than practical applications.

Therefore, this study aims to fill this gap by providing an in-depth analysis of the use of common size analysis in Islamic financial reporting and its impact on decision making.

Second, while common measure analysis has proven effective in the context of conventional financial reporting, its use in Islamic financial reporting is still very limited. Existing research tends not to explore how this analysis can be applied to assess the financial performance of Sharia financial institutions more effectively. Therefore, more in-depth research is needed

[3] Laksase, S., Rusmardiana, A., Kholid, M., K., & Silaban, B. T (20240. *The Role of Shariah Compliance In Enhancing Financial Reporting Transparency: A Comparative Study of Islamic and Conventional Financial Institution.* The Journal of Academic Science, 1(8), 1052-1062.

[4] Islamic Finansial Services Board (IFSB) (2022). Islamic Finansial Stability Report 2022. https://www.ifsb.org/publication-document/islamic-financial-services-industry-stability-report-2022.

[5] Haniffa, R.M., & Hudaib, M. (2007). *Exploring The Ethical Identity Of Islamic Banks Via Communication in Annual Report*. Journal of Business Ethics, 76, 97-116. https://doi.org/10.1007/s10551-006-9272-5

[6] Islamic Finansial Services Board (IFSB) (2022). Islamic Finansial Stability Report 2022.

[7] Alhabshi, S. O., & Noor, M. M (2022). “The Role of Common Size Analysis In Enhancing Financial Reporting in Islamic Banks”. Journal of Islamic Accounting and Business and Research, 13(1), 45-60.

on the application of common measure analysis in the context of Sharia financial reporting.

Third, previous research often does not consider external factors that may affect Sharia financial reporting, such as regulatory changes and market dynamics. More comprehensive research is needed to understand how these factors have an influence on financial reporting in the Islamic context.

## B. RESEARCH METHODS

This study uses a qualitative method that is descriptive-analytical in nature. This method was chosen to thoroughly investigate the advancements in Islamic financial reporting and assess the use of common measure analysis in financial statements based on evolving theoretical and normative research. Data collection was conducted through a literature study, specifically by examining and evaluating several relevant secondary data sources.

These sources consist of scholarly literature such as academic texts, reviewed journal articles, Islamic accounting standards, annual reports of Islamic financial institutions, official regulations, and findings from previous research. Using this method, this study aims to provide a structured, logical, and thorough examination of how common measure analysis enhances the transparency and accountability of Islamic financial reporting.

## C. RESULTS AND DISCUSSION

Sharia financial reporting is a reporting system that follows the principles of sharia, which requires transparency, fairness, and accountability. According to AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions), Sharia financial reporting includes not only traditional financial reports, but also reports that emphasize compliance with sharia law.[8] The basic principles of this reporting include the prohibition of riba (interest), gharar (uncertainty), and haram (prohibited goods), all of which must be considered in the preparation of financial statements.

Sharia financial reporting has fundamental differences with conventional financial reporting. In conventional reporting, the main vision is profitability and shareholder value. Meanwhile, Sharia financial reporting emphasizes social and ethical values, where profits should not be obtained from activities that violate sharia principles.[9] For example, Islamic banks cannot invest in the liquor or gambling industries, which is against common practice in conventional banks.

Statistics have shown that the Islamic finance market is growing rapidly, with total assets reaching more than $2.88 trillion by 2021.[10] This growth indicates an increased demand for Shariah-compliant financial reporting. It also motivates financial institutions to develop better and more transparent reporting standards, which in turn can increase investor confidence.

The implementation of Sharia financial reporting can be found in Islamic banks in Indonesia, such as Bank Sharia Indonesia (BSI). BSI has made maximum efforts to apply sharia principles in all aspects of its operations. BSI not only presents annual financial reports, but also reports that explain how they fulfill sharia principles in their operations.[11] Companies operating under Shariah principles are advised to actively adopt and apply common

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8 AAOIFI. (2015). *Accounting and Auditing Organization for Islamic Finansial Institution*: Governance Standards.

9 Haniffa, R.M., & Hudaib, M. (2007). *Exploring The Ethical Identity Of Islamic Banks Via Communication in Annual Report*. Journal of Business Ethics, 76, 97-116. https://doi.org/10.1007/s10551-006-9272-5.

10 Islamic Finansial Services Board (IFSB) (2022). Islamic Finansial Stability Report 2022. https://www.ifsb.org/publication-document/islamic-financial-services-industry-stability-report-2022.

11 Bank Syariah Indonesia (BSI). (2022). Laporan Tahunan 2022. Jakarta: BSI.

size analysis in their financial statements. This will not only increase transparency, but also assist management in making more informed and data-driven decisions.[12] This suggests that Sharia financial reporting not only fulfills financial information needs, but also provides added value to stakeholders.

With the increasing awareness of the importance of transparent and accountable financial reporting, Sharia financial reporting is expected to become a model for other financial reporting systems. This will encourage financial institutions to pay more attention to sustainability and social responsibility aspects in their business practices.

Innovation in financial reporting is a necessity in the midst of rapid technological development and market changes. According to Schumpeter (1934), innovation is the process of creating something new and better, which can be applied in the context of accounting and financial reporting. In the Islamic finance sector, this innovation can be in the form of applying new technology, using more sophisticated analytical methods, or developing financial products that better suit the needs of the community.[13]

One example of innovation in Sharia financial reporting is the use of blockchain technology to improve transparency and accountability. Blockchain can be used to record transactions in real time and ensure that all parties involved have equal access to relevant information.[14] Thus, the potential for fraud can be minimized, and trust between financial institutions and customers can be enhanced.

Case studies in Malaysia show that some Islamic banks have started to implement this technology in their reporting systems. For example, Bank Islam Malaysia Berhad (BIMB) has integrated blockchain technology into its risk management and financial reporting systems, allowing them to provide more accurate and timely reports to stakeholders.[15] This shows that innovation in Sharia financial reporting can improve operational efficiency and provide a competitive advantage.

On the other hand, innovation also includes the development of new analysis methods, such as common size analysis which will be discussed further in this journal. This method allows companies to compare financial performance more effectively by standardizing financial reports, thus facilitating decision making. Thus, innovation in financial reporting is not only limited to technology, but also includes new methods and approaches that can improve the quality of the information presented.

Although there are challenges in implementing this innovation, such as resistance from certain parties in the organization, the adoption of innovative methods in financial reporting has a significant positive impact on the long-term benefits. By increasing transparency and accountability, Sharia financial institutions can attract more investors and increase public trust in the Sharia financial system. This finding is in line with research by Al-Qudah et al. (2020), which shows that transparency in financial reports can increase trust from investors and other stakeholders.[16] Thus, the application of this analysis is not only beneficial for the company internally, but also in building better relationships with external stakeholders.

Common size analysis is a method used to evaluate financial statements by converting nominal figures into percentages.

[12] Jaradat, H., & Oudat, M. S (2025). *Enhancing Clarity and Transparency in Islamic Financial Practices: The Role of Regulatory Influence*. Journal of Financial Reporting and Accounting.

[13] Schumpeter, J. A (1934). *The Theory of Economic Development*. Harvard University Press.

[14] Radziwill, N. (2018). *Blockchain Revolution: How the Technology Behind Bitcoin is Changing Money, Business, and The Word.* 2016. And Tapscott and Alex Tapscott. New York: Penguin Random House. 348 Pages.

[15] BIMB. (2021). *Annual Report 2021*. Bank Islam Malaysia Berhad.

[16] Al-Qudah, A., Al-Makhamreh, S., & Al-AAzzam, M. (2020). *Transparency in Finansial Reporting and Its Impact on Investor Confidence: Evidence from Jordan.* International Journal of Finansial Studies, 8 (4), 45-57.

In this way, users of financial statements can easily compare a company's financial performance over time or between different companies, regardless of their size or scale of operations. By visualizing data in percentage form, management can more easily detect areas that require improvement or further attention.[17] For example, if the proportion of operating costs increases significantly compared to revenue, this could be an indicator that the company needs to assess its operational efficiency.

According to White et al. (2002), common size analysis provides a clearer perspective on the company's cost and revenue structure, and helps in better decision making.[18]

In the context of Islamic financial reporting, common size analysis can be used to assess the proportion of revenue derived from halal sources compared to haram. For example, if an Islamic bank reports that 70% of its revenue comes from products that comply with Islamic principles, this provides investors with a good picture of the bank's commitment to Shariah compliance. By presenting clear and easy-to-understand information, companies can more easily meet the expectations of stakeholders who want compliance with Shariah principles in every aspect of their operations.[19]

And through common size analysis, investors can easily see the percentage of revenue obtained from various sources, as well as how costs and expenses affect net income.[20] Thus, this analysis is not only useful for internal purposes, but also to provide better information to external stakeholders.

The common measure performance mechanism by converting all the numbers in the financial statement into a percentage of the total. For example, in the income statement, each expense and revenue item would be expressed as a percentage of total revenue. This facilitates trend analysis and strategic decision making, as managers can quickly see which areas require more attention.[21] An example of a common size assessment for the profit and loss statements of Bank Sharia Indonesia (BSI) for 2022 to 2024 is presented in Table 1 below:

**Table 1. Common Size Statement of Profit or Loss and Other Comprehensive Income of Bank Sharia Indonesia (BSI) 2022-2024[22]**

| Description | 2024 | 2023 | 2022 |
|---|---|---|---|
| **Total Revenue** | 100% | 100% | 100% |
| Fund Management Income As Mudhorib | 81.99% | 84.11% | 84.13 % |
| Third Party Entitlement To Profit Sharing | -25.57% | -22.65% | - 17.29 % |
| **The Bank's Right To Profit Sharing** | 56.42% | 61.45% | 66.84 % |
| Other Business Income | 18.00% | 15.89% | 15.87 % |
| Operating Expenses | -38.22% | -38.74% | - 42.43 % |
| Expense For Allowance For Impairment Losses On Earning Assets and Non-Productive Assets - Net | -6.14% | -9.91% | - 16.07 % |
| **Operating Profit** | 30.07% | 28.69% | 24.21 % |
| Zakat | -0.75% | -0.72% | -0.06% |
| Tax Expense | -6.63% | -6.41% | -5.38% |
| Net Profit | **22.70%** | **21.56%** | **18.27 %** |

[17] Hassan, M., & Naim, M. (2022). *Finansial Performance Analysis Using Common Size Analysis*: *A Case Study of Selected Firms*. Jounal of Business and Management, 10 (2), 205-214.

[18] White, G. I., Sondhi, A. C., & Fried, D. (2002). *The analysis and use of financial statements*. John Wiley & Sons.

[19] Mohd, Haridan, N., Sheikh Hassan, A. F., Mohammed Shah. S., & Mustafa, H. (2023). *Financial Innovation in Islamic Banks: Evidence on The Interaction between Shariah Board and Fintech*. Journal Of Islamic Accounting and Business Research, 14(6), 911-930.

[20] Mohammadiyan, M. (2024). *The Impact of Financial Reporting Quality on Investment Decisions: Evidence from Tehran Stock Exchange*. Creative Economy and New Business Management Approaches, 92-105.

[21] Brealey, R. A., Myers, S. C., & Allen, F. (2014). *Principles of corporate finance*. McGraw-hill.

[22] Bank Syariah Indonesia.(2024). *Laporan Tahunan 2024.* Jakarta: PT Bank Syariah Indonesia Tbk. https://www.bankbsi.co.id/

| | | | |
|---|---|---|---|
| Total Other Comprehensive Income After Tax | 0.49% | 0.13% | 0.21% |
| **Total Comprehensive Income** | **23.20%** | **21.68%** | **18.48 %** |

**Source: Data Processed by Researchers (2025)**

Upon reviewing the common size income statement of Bank Syariah Indonesia (BSI) from 2022 to 2024, it is evident that the primary revenue source is from fund management as a mudharib. However, there has been a proportional reduction in this segment, dropping from 84.13% in 2022 to 81.99% in 2024. This reduction can be attributed to a rise in the share of alternative income, which increased from 15.87% to 18.00%, highlighting the bank's strategy to broaden its revenue streams beyond profit-sharing financing. This includes earnings from fees and investment returns. Furthermore, the obligation for profit sharing owed to external parties rose from 17.29% to 25.57%. This increase was likely prompted by a rise in mudharabah-based third party funds (DPK) and the application of a more competitive ratio to attract more clients. Consequently, BSI's share of profit-sharing income declined from 66.84% to 56.42%.

In terms of expenditures, there was a notable enhancement in efficiency. Operating expenses reduced from 42.43% in 2022 to 38.22% in 2024, likely due to the digitalization of processes, optimization of human resources, and management of overhead costs. Moreover, impairment losses decreased significantly from 16.07% to a mere 6.14%, indicating a rise in the quality of earning assets and a decline in non-performing loans. This efficiency level played a crucial role in the rise of net profit, which escalated from 18.27% to 22.70%, alongside total comprehensive income that grew from 18.48% to 23.20% during the same timeframe. In summary, the figures suggest that BSI has effectively sustained its profitability by employing a blend of strategies aimed at market expansion, operational improvement, and adept risk management.

In addition to the tabular data and the prior descriptive analysis, the subsequent figure presents a graphical illustration to provide a deeper understanding of the proportional variations in Bank Syariah Indonesia’s (BSI) income statement elements between 2022 and 2024. This chart illustrates the common size analysis, emphasizing the percentage changes in fund management income, profit-sharing rights, additional business revenue, operating costs, along with net and comprehensive profit. This visual depiction aims to elucidate noticeable trends and promote a more intuitive and analytical comprehension of BSI’s financial performance throughout the three-year span.

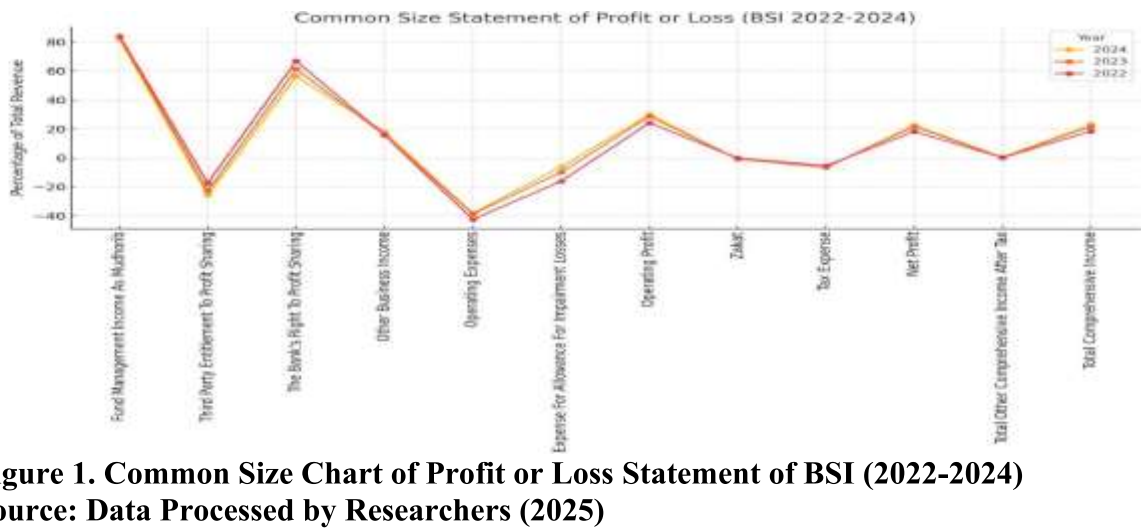


**Figure 1. Common Size Chart of Profit or Loss Statement of BSI (2022-2024)**
**Source: Data Processed by Researchers (2025)**

However, common size analysis also has its drawbacks. One of them is the lack of context that can be obtained from this analysis. For example, if two companies have the same proportion of operating expenses to revenue, this does not mean that the two companies are performing the same, because other factors such as market size and business strategy also play an important role. Therefore, this analysis should be used in conjunction with other analytical methods to get a more complete picture.

Overall, common size analysis is a very useful tool in Islamic financial reporting. By providing a clearer perspective on a company's financial structure, it can help managers and stakeholders make better and more informed decisions.

Islamic financial reporting has undergone significant changes in recent years, mainly due to advances in information technology. Innovations in reporting include not only the use of more modern accounting software, but also the implementation of best practices taken from the conventional financial industry. According to a report by Deloitte (2021), more than 60% of Islamic financial institutions in Southeast Asia have adopted digital technology to improve operational efficiency and transparency of their financial reports.[23] This shows that these institutions are beginning to realize the importance of technological innovation in improving the quality of financial reporting.

One of the most prominent innovations is the use of a cloud-based accounting information management system. This system allows real-time access to financial data, which is essential for fast and accurate decision-making. For example, Bank Sharia Indonesia (BSI) has implemented this system and reported a 30% increase in operational efficiency in their financial reporting process.[24] Thus, this innovation not only increases transparency but also speeds up the reporting process which previously took a long time.

In addition to technology, best practices in financial reporting have also been adopted to ensure compliance with sharia principles. For example, Islamic financial institutions are now more frequently publishing sustainability reports that cover the social and environmental impacts of their business activities. This is in line with market demands that are increasingly paying attention to corporate social responsibility. According to the Global Reporting Initiative (GRI, 2020), more than 70% of companies that report on sustainability have seen their reputations improve with stakeholders.[25]

However, despite the many innovations that have been implemented, challenges remain. Many Islamic financial institutions still use outdated and non-integrated reporting systems. A study by KPMG (2021) shows that around 40% of Islamic financial institutions in Asia still rely on manual methods for their financial reporting, which can lead to errors and inaccuracies.[26] Insights into the use of technology have a significant impact on shaping more accurate financial reporting practices.[27] Therefore, it is important for these institutions to continue investing in technology and human resource training to make the most of innovation.

To realize and improve these human resources, companies are advised to

[23] Deloitte. (2021). Digital Transformation in Islamic Finance: Trends and Insights. https://www2.deloitte.com

[24] Bank Syariah Indonesia (BSI). *Laporan Tahunan 2022*. Jakarta: BSI.

[25] Global Reporting Intiative (GRI). (2020). Sustainability reporting in islamic finance: Aglobal Perspective. https://www.globalreporting.org

[26] KPMG. (2021). The Future of Islamic Finance: Embracing Digital Transformation. https://home.kpmg.

[27] Sri, R., & Nugroho, A. (2022). *Integrating big data analytics in finansial reporting: the future of Finansial management in islamic finance.* Internasional journal of islamis finance, 14 (1), 89-103.

collaborate with educational and research institutions to develop better reporting guidelines and standards, which include the use of common size analysis. This collaboration can produce best practices that can be adopted by other companies in the same industry.[28]

Collaboration plays a central role in the enhancement of financial reporting practices within the domain of Islamic finance by promoting standardization, innovation, and adherence to Shariah principles. The integration of collaborative efforts among diverse stakeholders—including financial institutions, regulatory bodies, and Shariah committees—is essential for addressing the unique challenges encountered by the Islamic finance sector. Such challenges encompass the need for Shariah compliance, the promotion of financial inclusion, and the adaptation to technological advancements, including the metaverse. The subsequent sections will examine the specific mechanisms through which collaboration fortifies financial reporting practices in Islamic finance.

One significant method by which collaboration improves Islamic financial reporting practices is through Standardization and Transparency. Continuous cooperation among stakeholders is vital for the convergence of standards and reporting practices within Islamic finance. This convergence mitigates barriers and costs for issuers while simultaneously enhancing transparency and awareness for investors, thereby attracting a broader investor base.[29] The role of the Shariah committee in Islamic banking is paramount for ensuring that financial reporting aligns with Shariah compliance, which, in turn, bolsters stakeholder confidence. Achieving this objective necessitates collaboration between financial experts and Shariah scholars to effectively integrate financial reporting with Shariah principles.[30]

A second avenue through which collaboration enhances business performance is through the establishment of Collaborative Partnerships. Such partnerships are instrumental in improving the operational efficiency of Islamic financial institutions. A conceptual model predicated on dynamic collaboration capabilities can significantly enhance business performance by cultivating organizational competence in executing effective partnerships.[31] The success of these collaborations is often influenced by factors such as communication, leadership, and organizational capacity. Furthermore, regulatory requirements frequently necessitate these collaborations to effectively navigate the prohibitions inherent in Islamic finance.[32]

The third aspect to consider is Technological Adaptation. The incorporation of metaverse technology in financial reporting presents both opportunities and challenges for Islamic financial institutions. Therefore, collaboration among stakeholders—including the Accounting and Auditing

[28] Rahman, A. Zain, M., & Sulaiman, N. (2021). *The Importance of collaboration in Enhancing Finansial Reporting Practices in Islamic Finance.* Journal of Islamic Accounting and Business Research, 12 (3), 345-359.

[29] Kamil, W. A. R., Bakhor, S. A. S. M., De Luna-Martinez, J., Zhang, W. G., & Abdul Aziz, A. H. B. (2019). *Islamic Green Finance : Development, Ecosystem and Prospects*. 1–111. https://documents.worldbank.org/curated/en/591721554824346344/Islamic-Green-Finance-Development-Ecosystem-and-Prospects.

[30] Nabhan, F. (2013). *Pengembangan kapabilitas kolaborasi dinamis untuk meningkatkan kinerja bisnis koperasi jasa keuangan syariah di jawa tengah*. *7*(1), 207–230. https://doi.org/10.18326/INFSL3.V7I1.207-230.

[31] Latif, A. R. A., & Ahmad, S. (2021). *Financial Reporting Of Islamic Bank In The Light Of Shariah: A Conceptual Framework*. *26*(2), 10–19. https://doi.org/10.33102/JFATWA.VOL26NO2.396.

[32] Aisyah, S. (2024). Synergizing the Sustainable Islamic Finance Ecosystem in Indonesia the Management Collaboration Line. *Jurnal Bisnisman : Riset Bisnis Dan Manajemen*, *6*(1), 28–44. https://doi.org/10.52005/bisnisman.v6i1.208

Organization for Islamic Financial Institutions (AAOIFI)—is requisite for establishing robust financial reporting standards that are in alignment with Shariah principles within the metaverse.[33]

Finally, the promotion of Financial Inclusion and Sustainability underscores the importance of collaboration between governmental and philanthropic sectors to sustain the development of the Islamic finance ecosystem and enhance financial inclusion. This cooperative effort is critical for addressing the challenges faced by Islamic institutions and for fostering a sustainable financial ecosystem.[34] The emphasis placed by Islamic finance on social justice and inclusion is strengthened through collaborative initiatives aimed at promoting risk-sharing contracts and redistributive instruments, which in turn enhance financial inclusion and contribute to overall economic growth.[35]

By improving staff understanding and skills, companies can ensure that the financial reports produced are not only accurate but also informative for stakeholders.[36]. All things considered, there is a lot of promise for increased accountability and openness through innovation in Islamic financial reporting. Sharia financial institutions can increase their competitiveness in the global market and better serve stakeholders by implementing best practices and modern technologies.

Universal aspect analysis is a method used to evaluate financial statements by converting each statement item into a percentage of the relevant total. In the context of Sharia financial reporting, the application of this analysis can provide deeper insight into the financial structure and performance of an institution. For example, an Sharia financial institution that applies common size analysis to its income statement can easily see the proportion of revenue that comes from sources that are in accordance with Islamic principles.

For example, if an Islamic bank reports that 70% of its revenue comes from profit-sharing financing, a common size analysis would show that this proportion is higher than the industry standard, which could be a good indicator of performance. A study by Alhabshi and Noor (2022) showed that the use of common size analysis in Islamic financial statements can help management identify areas that require more attention, such as cost management and operational efficiency.[37]

This analysis also allows for easier comparisons between different periods. By using data from previous financial statements, managers can see trends and patterns that emerge over time. For example, if the proportion of operating costs increases from year to year, management can conduct an evaluation to identify the cause and take necessary actions. Data from OJK (2022) shows that Islamic financial institutions that implement this analysis have experienced a 15% increase in cost efficiency in the last two years.[38]

In addition, common size analysis can also be used to compare performance between various Islamic financial

[33] Sanad, Z. (2024). Insights into financial reporting practices in the metaverse: evidence from Islamic financial institutions in Bahrain. *Journal of Islamic Marketing*. https://doi.org/10.1108/jima-01-2024-0029

[34] Muzafar, N., & Ullah, K. (2017). *Success Factors of Collaboration in Islamic Banks*. *9*(1), 119–130. https://doi.org/10.22547/BER/9.1.7.

[35] Akhtar, M., Zia, M. H., & Shehzad, F. (2018). *True and Fair View of Financial Reporting Practices: Accountants' Perspective*. *8*. https://journal.riphah.edu.pk/index.php/jibm/article/view/134.

[36] Mohamad, S., & Ibrahim, M. (2020). Enhancing financial literacy in Islamic finance through education: A case study. International Journal of Islamic and Middle Eastern Finance and Management, 13(3), 455-470.

[37] Alhabshi, S. O., & Noor, M. M (2022). "The Role of Common Size Analysis In Enhancing Financial Reporting in Islamic Banks". Journal of Islamic Accounting and Business and Research, 13(1), 45-60.

[38] OJK. (2022). Laporan Perkembangan Keuangan Syariah 2021. Otoritas Jasa Keuangan.

institutions. By converting financial statements into percentages, managers can compare the proportion of income and costs with other institutions in the same industry, thereby identifying best practices and areas for improvement. A report by McKinsey (2021) states that financial institutions that use this analysis can improve their competitiveness in the market by better understanding their relative position.[39]

slamic banks in Indonesia have experienced major transformations following the merger. This is evident through the common size analysis presented in table 2 below:

**Table 2. Comparison of BSI Income Statement Before Merger and After with Common Size Analysis[40]**

| Profit and Loss | BRI Sharia | BNI Sharia | Mandiri Sharia | Total Average | BSI |
|---|---|---|---|---|---|
| | 2020 | 2020 | 2020 | | 2021 |
| **Operating Income** | | | | | |
| Sale & Purchase Income | 46.40% | 50.80% | 44.825 | 46.49% | 48.91% |
| Profit Sharing Income | 28.82% | 21.47% | 22.18% | 23.62% | 21.40% |
| Ijarah Income | 3.23% | 0.40% | 0.40% | 1.08% | 0.36% |
| Other Operating Income | 13.88% | 23.19% | 13.12% | 15.49% | 14.86% |
| Other Business Income | 7.67% | 4.14% | 19.48% | 13.33% | 14.47% |
| **Operating Expenses** | | | | | |
| Salaries & Benefits | 42.95% | 58.78% | 55.50% | 51.81% | 51.14% |
| Administration | 42.85% | 28.87% | 34.79% | 34.82% | 45.20% |
| Wadi.Ah Bonus | 2.96% | 0.00% | 3.38% | 2.36% | 1.37% |
| Others | 11.25% | 12.365 | 6.33% | 9.01% | 14.47% |
| **Profit** | | | | | |
| Operating Profit | 8.61% | 16.13% | 18.28% | 15.50% | 22.10% |
| Profit Before Zakat | 5.27% | 11.82% | 13.38% | 11.10% | 14.54% |
| Net Profit | 9.20% | 16.69% | 18.44% | 15.85% | 19.73% |

**Source: Fauzi (2023)**

[39] McKinsey & Company. (2021). The State of Islamic Banking: A Global Perspective. https://www.mckinsey.com.

[40] Fauzi, M. R. (2023). Analisa Komparasi Laporan Keuangan Bank Syariah Indonesia Sebelum dan Sesudah Merger. *Jurnal Bisnis Mahasiswa*, *3*(3), 120-125.

Based on the aforementioned analysis, it is clear that different income elements of Bank Syariah Indonesia have increased in relation to total income before the merger. The most notable increase in income was noted in the sector of sales and purchase income, which experienced a rise of 2.42%. Prior to the merger, Bank BRI Syariah was identified as the main source of profit-sharing income. In general, operating costs saw an increase mainly due to salaries and benefits. This increase is evidently due to the merger, suggesting elevated expenses associated with the united branches and employees. The increase in Bank Syariah Indonesia's operating costs was matched by a rise in the company's profits. The firm's earnings increased by 3.88% in comparison to the overall profit prior to the merger. This increase in profit demonstrates the company's enhanced capacity to efficiently oversee its assets and liabilities to produce income. Therefore, it can be inferred that there has been an overall improvement in the financial performance of Islamic Banks after the merger.

A study by Muhammadiyan (2024) showed that Islamic financial institutions that implemented this analysis in their financial reports experienced an increase in the quality of strategic decision-making.[41] With clearer information, management can formulate more effective strategies to improve performance and competitiveness. For example, if the analysis shows that a particular financing segment is not delivering the expected results, management can consider re-evaluating the marketing strategy or products offered.

In addition, innovation in Islamic financial reporting also increases accountability to stakeholders. With more transparent reporting, Islamic financial institutions can build trust with customers and investors. According to a report from PwC (2022), institutions that implement innovation in financial reporting experience a 25% increase in customer satisfaction because customers feel more informed and involved in the decisions made by the institution.[42]

However, it is important to note that while these innovations and analyses bring many benefits, challenges in their implementation remain. Some managers may find it difficult to interpret the data generated from common size analysis, which can hinder effective decision making. Therefore, proper training and education for management is essential to ensure that they can make good use of the information available.

In conclusion, innovation in Islamic financial reporting and the application of common size analysis have a significant positive impact on managerial decision making. With more transparent and accurate information, Sharia financial institutions can improve the performance and competitiveness of companies and stakeholders in an increasingly competitive global market in a sustainable manner.

## D. CONCLUSION

This study concludes that innovation in Islamic financial reporting through common size analysis not only improves the quality of financial information but also supports wiser decision-making and increases trust among external stakeholders. Therefore, common size analysis is considered an important tool for supporting the economic growth and operational sustainability of Islamic-based companies by enhancing financial transparency and accountability.

The findings of this study provide several recommendations to improve Islamic financial reporting practices. In particular, Islamic-based companies are

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[41] Mohammadiyan, M. (2024). *The Impact of Financial Reporting Quality on Investment Decisions: Evidence from Tehran Stock Exchange*. Creative Economy and New Business Management Approaches, 92-105.

[42] PwC. (2022). Enhancing Transparency in Islamic Banking: A Path Forward. https://www.pwc.com.

expected to effectively integrate common-size analysis in their financial statements, thereby increasing their financial transparency and accountability. In addition, companies should invest resources in the training and education of finance staff on the effective application of common size analysis to enhance their capacity and competence in preparing accurate, effective, informative, and relevant financial statements for investors, shareholders, financial analysts, and other stakeholders. Therefore, companies are advised to collaborate with educational and research institutions to develop better reporting guidelines and standards, including common-size analysis. This collaboration is expected to result in best practices that other companies can adopt in the same industry.

Furthermore, more research is needed to investigate the possible integration of common size analysis with emerging technologies, such as big data analysis and artificial intelligence (AI), to improve efficiency and effectiveness in Islamic financial reporting. In doing so, research can contribute to the development of knowledge on how technology can be used to strengthen and improve Shariah-based financial reporting practices, thereby providing new insights into the integration of technology in Islamic finance. As a long-term measure, Islamic finance regulators and supervisory bodies need to issue guidelines that encourage using common size to improve the quality of Islamic financial reporting.

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