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THE EFFECTS OF *ISLAMIC ETHICAL IDENTITY INDEX* ON FINANCIAL PEPRFORMANCE

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ABSTRACT

This study examines,firstly, the influence of Islamic Ethical Identity disclosure on Return on Asset, Return on Equity, and Economic Value Added of Islamic Bank in Indonesia, Malaysia, and Gulf Cooperation Council (GCC) Countries, and secondly,this study also examines the differences of Islamic Ethical Identity disclosure and Financial Performance between Islamic Bank in Indonesia-Malaysia and GCC Countries. This study uses panel data from 2008-2013 which published in website of each Islamic Bank selected as a sample in this study.The result of regression shows that the disclosure of Islamic Ethical Identity hasa signifficant effect on ROA, ROE, and EVA. Meanwhile, the result of independent T-test shows that there is no differences on Islamic Ethical Identity Disclosure and Financial Performance between Islamic Bank in Indonesia-Malaysia and GCC Countries.

Keywords: Islamic Ethical Identity, Return on Asset, Return on Equity, Economic Value Added.

INTRODUCTION

The concept of ethics has an important role in the conduct of a dynamic and competitive business. Each business entity competes to provide the best for all stakeholders so that it is expected to be able to realize the sustainability of the company. Ethics have an important role in guarding the realization of the dynamics of fair business competition. Each company tries to show who it is and what the added value of the products it offers through the formation of a company's identity. Karaosmanoglu and Melewar (2006) explain that companies that have a strong identity will be useful in helping companies adjust to the market, attract investors, motivate employees and as a means to differentiate their products and services.

Corporate ethics and identity are a unified concept, with company ethics being able to understand and carry out activities in accordance with the values of truth, while identity is formed as a characteristic inherent in the company. The hope of the community will be pursued by the company because the sustainability of the business is determined by community acceptance. This is as the theory of legitimacy which explains that the management system of the company should be oriented to the alignments to the community, government, individuals, and groups (Gray, et.al, 1996).

In Islam, ethics is not new because Islam knows that ethics is a major part of Islamic teachings that cannot be separated from the practice of Islam itself. In its development, Islamic banking is an industry that is attached to Islamic values. Islamic banks are also the fastest growing financial services industry which is indicated by the continued increase in Islamic banking assets both nationally and globally (Suyono et al., 2016; Suyono, 2017). At the national level, Bank Indonesia statistics in 2013 report the development and growth of Islamic banking in Indonesia in the last five years growing between 40% to 45% per year. While at the global level, the development of global Islamic banking assets in 2007-2011 grew an average of 21.1% per year (Kuwait Finance House Research Ltd., 2013)

Islamic banks as an industry that labels the term Islamic in the company, it should show Islamic identity by efforts to apply Islamic principles and inform stakeholders about their commitment to the label embedded (Suyono et al., 2016; Suyono, 2017). Hatch and Schultz (1997) explain that identity is an important concept because it shows the company's ethos, goals and values, and presents characteristics that can help distinguish an organization from its competitors.
Suvatjis et.al (2012) states that the discussion on ethical identity (ethical identity) has attracted a lot of academics and managerial attention, although ongoing debate about how corporate identity can be modeled. Haniffa and Hudaib (2007) in their study used five features that distinguish Islamic

banks from conventional banks, namely (a) the underlying philosophy and value, (b) interest-free products and services, (c) contract agreements that are permitted by Islam, (d) focus on development and social objectives, and (e) adhere to the provisions of the sharia supervisory board. Disclosure of information as explained in the signaling theory, is not only addressed to consumers, investors or outside parties but also signals to employees or internal parties of the company today and the future (Karasek and Bryant, 2012). Information about the company's professionalism will be committed in providing the best service according to the expectations of the community will encourage consumer loyalty so that it has a positive impact on business performance and sustainability.

This study will also analyze whether there are differences in EII scores and financial performance between Islamic banking in the GCC and Indonesia-Malaysia. Countries in the Gulf Cooperation Council and Indonesia-Malaysia are regions that have differences in the legal environment that is applied in the government system. Governments of countries in the GCC apply Islamic and mixed law, while the Indonesian-Malaysian government uses mixed legal jurisdiction or mixed legal systems (Hasan, 2010). This allows for differences in the scores of EII disclosures and the financial performance of Islamic banking in the two place.

The concept of ethical identity is related to the company's efforts in creating a good reputation for stakeholders. The reputation created by the company is formed by how the company's efforts in showing its identity. Balmer and Gray (2000) explain the identity of a company as a unique organizational integrated into the company's image both in the view of internal and external parties. Berrone et.al (2007) explains that the characteristics or uniqueness in a company's identity is not only related to symbols, shapes, graphic design, visual identification, and marketing communication but also includes the company's ethical behavior and attitudes. The theory of legitimacy in relation to ethical identity and corporate financial performance is that if there is an inconsistency between the company's value system and the community value system (or often called the legitimacy gap), then the company can lose its legitimacy, which in turn threatens the survival of the company (Lindblom, 1994 in Gray et al. .al., 1995).

Chun et.al (2011) states that employees (internal parties) of the company are agents who have an important role in achieving the company's best performance. Disclosure of Islamic ethical identity will encourage employees to carry out the company's operations properly in accordance with stakeholder expectations, including obtaining return on investment obtained from activities in accordance with Islamic principles. Disclosure of ethical identity based on sharia principles will encourage the commitment of all internal parties in the company to provide the best performance. The implementation of Islamic principles in every part of the company will bring investors' trust and commitment, thus increasing the company's reputation which will ultimately gain the loyalty of all stakeholders. The loyalty of all stakeholders will ultimately also encourage the realization of good financial performance. More than that, the goal of sharia for benefit can be achieved.

Countries in the Gulf Cooperation Council and Indonesia-Malaysia are regions that have differences in the legal environment that is applied in the government system. Governments of countries in the GCC apply Islamic and mixed law, while the Indonesian-Malaysian government uses mixed legal jurisdiction or mixed legal systems (Hasan, 2010). This allows for differences in the scores of EII disclosures and the financial performance of Islamic banking in the two regions. From this explanation, a hypothesis was formulated:

H1: Disclosure of Islamic ethical identity in Islamic banks in Indonesia, Malaysia, and GCC affects the performance of companies proxied by ROA.

H2: Disclosure of Islamic ethical identity in Islamic banks in Indonesia, Malaysia and the GCC affects the performance of companies proxied by ROE.

H3: Disclosure of Islamic ethical identity in Islamic banks in Indonesia, Malaysia and the GCC affects the performance of companies proxied by EVA.

H4: There are differences in EII scores and financial performance between Islamic banking in the GCC and in Indonesia-Malaysia.

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RESEARCH METHOD

Sample of The Study

The data used in this study are available on every sample of Islamic bank website, the population in this study are all Sharia Commercial Banks in Indonesia, Malaysia, and the Gulf Cooperation Council Countries. Data collected by purposive sampling method. Samples are selected based on certain criteria. These criteria are:

1. Islamic banks operating in Indonesia, Malaysia and GCC.
2. Islamic banks which have annual reports in 2008-2013 both on the company's website and on the stock exchanges in the country.
3. Islamic banks whose annual reports ended on December 31.
4. Excluding investment banks.

Regression Model

Simple regression analysis is used to analyze the causal relationship of one independent variable to a dependent variable. The model used to carry out a simple linear regression analysis is as follows:

$ROA = \alpha 1 + \beta 1EII + \beta 2UP + \varepsilon$ .... (1)

$ROE = \alpha 2 + \beta 3EII + \beta 4UP + \varepsilon$ .... (2)

$EVA = \alpha 3 + \beta 4EII + \beta 6UP + \varepsilon$ .... (3)

Where:

ROA = Return on Assets

ROE = Return on Equity

EVA = Economic Value Added

EII = Ethical Identity Index

UP = Company Size

ε = Error Term

α1,2,3,4 = Value of regression constants

β1,2,3,4 = Variable regression coefficient

Different Test (Independent Sample T-test)

Different T-test tests with independent samples were carried out to find out whether there were mean differences between the two populations (Ghozali, 2012). All Islamic banks in this study are grouped into two namely Islamic banks in the GCC and Islamic banks in Indonesia-Malaysia.

Measurement

a. Dependent variable

Financial performance is the dependent variable of this study, proxied by ROA, ROE, and EVA.

1. Return on Assets (ROA)

Return on Assets is measured from net income after tax (earning after tax) to total assets that reflect the company's ability to use investment used for company operations in order to produce corporate profitability (Ang, 1997). ROA can be formulated as follows (Suyono, 2016) :

ROA = ... (1)

2. Return on Equity (ROE)

Based on the conceptual definition, ROE is obtained from the calculation of two variables, namely net income and total capital, so that it can be formulated as follows:

ROE = Net Profit ……………………. (2)

Total Capital

The calculation of financial performance is analyzed by using a time lag or t + 1, t is the base year of the study, which is 2008. In calculating EII, researchers use annual reports from 2008 to 2013.

3. Economic Value Added (EVA)

Economic Value Added in this study was calculated with the following stages (Turagn, 2003):

1. Calculating the Cost of Capital

Capital costs include the cost of debt, the cost of preferred stock capital, ordinary share capital costs, and the cost of retained earnings.

2. Calculate the size of the capital structure / funding.

A company's capital can be built with various alternative capital compositions.

3. Calculate the Weighted Average Cost of Capital

4. Calculating EVA values

In the financial statements (income statement), net income has been reduced by the cost of getting debt (interest) or bonuses and profit sharing in Islamic banking. Because the object of this study is Islamic banks that do not use interest instruments, before making an EVA calculation adjustments to interest costs (in conventional banks) become profit sharing costs (on Islamic banks). Simply in this study EVA Islamic banks are tabulated in the form of natural logarithms with the following formula (Vice & Endri, 2008):

EVA = Net Profit - (Amount of Equity X Cost of Equity) ………… .. (3)

Cost of Equity = …………………… .. (4)

Growth (Growth in Share Prices): …………………. (5

b. Independent Variable

This research makes the ethical identity of Islam as an independent variable.

The Ethical Identity Index (EII) is an index that measures the suitability of information disclosed by Islamic banks in terms of Islamic ethical identity, with the ideal standards in EII developed by Haniffa and Hudaib (2007).The Ethical Identity Index has eight dimensions related to the ideal standards for reporting the Islamic ethical identity of Islamic banks. The eight dimensions are then reduced to several items, each item functioning as an indicator of each dimension. Total indicators are 78 (appendix 2).

Each indicator is analyzed to the disclosures reported by the company in its financial statements, then the disclosure score is obtained. The higher the score, the more ideal is the disclosure of information related to Islamic ethical identity carried out by Islamic banks. The high EII score also reflects that the company has implemented the principle of Islamic ethical identity. Haniffa and Hudaib (2007) formulated the value of EII as follows:

$$EIIj = \frac{\sum_{t=1}^{nj} Xij}{nj} x100\% \ldots\ldots\ldots\ldots\ldots\ldots(6)$$

where:

= Ethical identity index

= number of indicators disclosed by Islamic banks

nj = total number of indicators

c. Control Variable

The control variable is a variable used to control the causal relationship between the dependent and independent variables in order to obtain a more complete and better empirical model (Jogiyanto, 2011). Company size is a control variable in this study.

Company size variables are measured by the natural logarithm (Ln) of net sales (Berrone et.al, 2007; Suyono, 2016). In this study related to revenue management of Islamic bank funds. Mathematically the size of the company is formulated as follows:

Company Size = Ln Fund Management Revenue ... (7)

Data Analysis

Content Analysis

This study uses content analysis techniques to the company's annual report in the calculation of EII. Content analysis is an observation research method used to evaluate systematically the content of information (Sekaran, 2010). Disclosure of each item of Islamic ethical identity is given a score of 1 (one) and if not revealed then a score of 0 (zero) is given.

Descriptive statistics

Descriptive statistics are used to obtain a description or description of the data seen from the average (mean), standard deviation, maximum value, minimum value. This test will be carried out on each dependent and independent variable so that the data description of each study sample is known.

Moreover, this study does a classic assumption test of regression which includes normality, heteroscedasticity, and autocorrelation.

Regression Model

Regression analysis is used to analyze the causal relationship of independent variables to a dependent variable. The model used to carry out a simple linear regression analysis is as follows:

ROA = α1 + β1EII + β2UP + ε ……………………………. equation 1

ROE = α2 + β3EII + β4UP + ε ……………………………. equation 2

EVA = α3 + β4EII + β6UP + ε ……………………………. equation 3

Information :

ROA = Return on Assets

ROE = Return on Equity

EVA = Economic Value Added

EII = Ethical Identity Index

UP = Company Size

ε = Error Term

α1,2,3,4 = Value of regression constants

β1,2,3,4 = Variable regression coefficient

Different Test (Independent Sample T-test)

Different T-test tests with independent samples were carried out to find out whether there were mean differences between the two populations (Ghozali, 2012). All Islamic banks in this study are grouped into two namely Islamic banks in the GCC and Islamic banks in Indonesia-Malaysia.

FINDINGS AND DISCUSSION

EII index is calculated based on content analysis of all samples in this study. The results of content analysis based on the dimensions of disclosure are shows in Table 1 below

Tabel 1 Results of EII Content Analysis Score (in%)

No.	Country	2008	2009	2010	2011	2012	Average
1	Indonesia	57	58	64	61	63	61
2	Malaysia	27	26	28	49	55	33
3	Bahrain	31	28	29	47	51	37

4	**Kuwait**	**29**	**23**	**23**	**38**	**45**	**32**
5	**Qatar**	**19**	**38**	**47**	**53**	**56**	**43**
6	**Arab Saudi**	**33**	**56**	**60**	**47**	**54**	**54**
7	**UniEmirat Arab**	**22**	**26**	**26**	**41**	**44**	**34**
	Average	**30**	**36**	**37**	**45**	**48**	**42**

Source: Research Results

The analysis results above show that the Islamic banks that have the highest EII index values are occupied by the same Islamic banks each year. This shows that there is a fairly consistent action in expressing ethical identity every year. Islamic banks with the lowest value are also almost occupied by Islamic banks which are relatively the same every year. This shows that the Islamic bank has not revealed its ethical identity in accordance with EII. Islamic banks that have low EII values tend to only make disclosures in the dimensions of the Board of Directors and top Management. But what is meant by Islamic Ethical Identity here is the disclosure made on all aspects of the company both the role of the company in economic activities and in matters of spirituality such as zakat management, waqf, qardh funds, and the prohibition of usury. In addition, Islamic Ethical Identity also includes justice carried out by the company both to internal and external parties of the company.

Descriptive statistics

Based on the results of the study, it can be seen that the average EII disclosure made by Islamic banks reached a score of 32.8 which, if presented with a comparison of the optimal EII index score of 78, obtained 42%. This value shows the average EII disclosure score of the entire sample does not reach half of the total EII components (78 components) which are the basis for the calculation of the EII index in this study. The standard deviation from ISR is 13.6. The minimum value of EII is 11 while the maximum value is 63. This maximum value was achieved by Bank Syariah Mandiri in 2010-2012. This considerable difference between the minimum and maximum values can be caused because the disclosure of EII is not a necessity but is voluntary for every Islamic bank and depends on the policy of the Islamic bank. Descriptive statistical results are shown in Table 2 below:

Table 2 Descriptive Statistics Results

Variable	Average	Std Deviation	Minimum	Maximum
EII	32,8	13,6	11,3	63,8
ROA	1,2	1,7	-4,3	5,47
ROE	9,8	10,3	-17,2	35,0
EVA	24,9	5,1	15,2	32,3
UP	27,3	2,5	21,1	31,0

Source : Research Results

The average ROA value is 1.2%, indicating that the sharia banks that are sampled can obtain an average return of 1.2% from managing their assets. The standard deviation from ROA is 1.7. The minimum value is -4.3 while the maximum value is 5.47. The minimum value on this ROA variable is negative because there are several Islamic banks that suffer losses. The highest ROA value is owned by Bank Mushaf Ar Rayan in 2009 and the lowest value is owned by Boubyan Bank in 2008. The value of return on equity (ROE) measures how much equity owned by Islamic banks can generate returns for Islamic banks themselves. The average value is 9.87, which shows that Islamic banks that are sampled can get an average return of 9.87% from their equity. The standard deviation from ROE is 10.3. The minimum value is -17.23 while the maximum value is 35.01. The minimum value on profitability is negative because there are several Islamic banks that suffer losses. The maximum value indicates the existence of an Islamic bank that can get a return on equity of 35%. The highest ROE value was owned by Bank Muamalat Indonesia in 2008 and the lowest value was owned by Bahrain Islamic Bank in 2011.

EVA is a performance appraisal measure that focuses on a company's ability to create added value for capital owners (Hanafi, 2004). The highest value is owned by Bank Syariah Mandiri 2011. While the average is 24.9 and the lowest value is 15.21. Company size is measured based on fund management revenue, has an average value of 27.3 and a standard deviation of 2.48. The lowest value is owned by Bank Mega Syariah in 2008 and the highest value is owned by Al-Rajhi Bank in 2012

Classical Assumption Test

Normality Test

The results of the analysis using the SPSS 16 Program in Appendix 3 show the asymp sig (2 tailed) values of the Kolmogorov-Smirnov test, Z for unstandardized residual variable values of 0.622 for the ROA variable, 0.452 for ROE, and 0.628 for the EVA variable. This shows that the data are normally distributed because each value is greater than the alpha value of 0.05.

Heteroscedasticity

Heteroscedasticity test is done by regressing the variables EII and UP (Company Size) to the residual value (e). The results in appendix 3 show a significance value of 0.432 for the dependent variable ROA, 0.365 for the dependent variable ROE and 0.472 for the EVA dependent variable, respectively, greater than the alpha value of 0.05 so that it is concluded that there are no symptoms of heteroscedasticity in the regression model.

Autocorrelation

Autocorrelation test is done by looking at the Durbin-Watson values and matching with measurement criteria. The results in Appendix 4 show the Durbin Watson value of 1.986 for the dependent variable ROA, 2.256 for the dependent variable ROE, and 2.222 for the EVA dependent variable where this number is greater than the dL value of 1.623 and smaller than 4-dU which is 2.237. Except EVA variables in the region without conclusions. These results indicate that the regression equation does not contain an autocorrelation problem.

The Result of Regression

Testing of First Hypothesis

This study examines the effect of Islamic ethical identity on ROA and uses the UP variable as a control variable. Regression analysis using SPSS 16 software shows the following calculation results:

Table 3 Test Results of the effect of EII on ROA

No.	Variable	Regression Coefficient	Sig.	t count
1	EII (X1)	0,031	0,014	2,514
2	UP (X2)	0,200	0,005	2,867

Constants	**-5,291**
Adjusted R Square	**0,112**
F count	**5,825**

Source : Research Results

From these results the regression equation is obtained as follows:

ROA = -5,291 + 0,031 EII + 0,2 UP + e

From Table 3, it shows that a constant of -5.291 explains if the value of the standardize variable reveals the Islamic ethical identity and the size of each company is zero, then the ROA of -5.291 units. The regression coefficient of the standardize variable disclosure of Islamic ethical identity of 0.031 means that the standardize variable of disclosure of Islamic ethical identity has a positive influence on ROA. If the standardize disclosure of Islamic ethical identity increases by one unit, then it can improve financial performance by 0.031 units by assuming other variables are fixed. The standardize variable size of the company regression coefficient of 0.200 indicates that company size has a positive influence on ROA. If the standardize variable firm size increases by one unit, it will be able to increase ROA by 0.200 units by assuming other variables are fixed.

The regression results in appendix 4 show the calculated F value of 5.825 is greater than the F table of 3.098. Sig value F count of 0.004 also shows a value smaller than the alpha value of 0.005. From these results it can be concluded that the formed regression equation satisfies the fit or fit criteria.

The coefficient of determination is obtained from the number shown in the Adjusted R Square of 0.112 or 11.2%, indicating that 11.2% of the variation in changes in the ROA variable can be explained by the variables of Islamic ethical identity disclosure and company size, while 89.8% is explained by another variable.

Sig value shows the number 0.014, the number is smaller than alpha, which is 0.05. From these results it was concluded that the disclosure of Islamic ethical identity has a significant influence on ROA so that the first hypothesis of this study was accepted

Testing of Second Hypothesis

The second hypothesis in this study examines the effect of Islamic ethical identity on ROE and uses the UP variable as a control variable. Regression analysis using SPSS 16 software shows the following calculation results:

Tabel 4Test Results of the effect of EII on ROE

No.	Variable	Regression Coefficient	Sig.	t count
1	EII (X1)	0,311	0,002	3,186
2	UP (X2)	1,378	0,013	2,534
	Constant	-39,182		
	Adjusted R Square	0,108		
	F count	6,680		

Source : Research Result

From these results the regression equation is obtained as follows:

ROE = -39,182 + 0,311 EII + 1,378 UP + e

From Table 4 shows that a constant of -39,182 explains if the value of the standardize variable reveals the ethical identity of Islam and the size of each company is zero, then the ROE of -39,182 units. The regression coefficient of the standardize variable disclosure of Islamic ethical identity of 0.311 means that the standardize variable disclosure of Islamic ethical identity has a positive influence on ROE. If the standardize disclosure of Islamic ethical identity increases by one unit, then it can improve financial performance by 0.311 units by assuming other variables are fixed. The standardize variable size of the firm size regression coefficient of 1.378 shows that company size has a positive influence on ROE. If the standardize variable of company size increases by one unit, it will be able to increase ROE by 1,378 units by assuming the other variables are fixed.

Sig value shows the number 0.016, the number is smaller than alpha, which is 0.05. From these results it was concluded that the disclosure of Islamic ethical identity has a significant effect on ROE so that the second hypothesis in this study was accepted.

Testing of Third Hypothesis

The third hypothesis in this study examines the effect of Islamic ethical identity on EVA and uses the UP variable as a control variable. Regression analysis using SPSS 16 software shows the results of calculations as

the following:

Tabel 5Test Results of the effect of EII on EVA

No.	Variable	Regression Coefficient	Sig.	t count
1	EII (X1)	0,149	0,000	5,851
2	UP (X2)	-0,219	0,239	-1,185
	Constant24,536			
	Adjusted R Square	0,297		
	F count	20,879		

From these results the regression equation is obtained as follows:

$$EVA = 24{,}536 + 0{,}194\ EII - 0{,}219\ UP + e$$

Table 5 shows that a constant of 24,536 explains that if the value of the standardize variable reveals the ethical identity of Islam and the size of each company is zero, then the EVA is 24.536 units. The regression coefficient for the standardize variable disclosure of Islamic ethical identity is 0.194, meaning that the standardize variable for disclosing the ethical identity of Islam has a positive influence on EVA. If the standardize disclosure of Islamic ethical identity increases by one unit, it can improve financial performance by 0.194 units by assuming other variables are fixed.

Significance testing results indicate the value of Sig. equal to 0,000, the number is smaller than alpha that is 0.05. From these results it was concluded that the disclosure of Islamic ethical identity had a significant influence on EVA so that the third hypothesis in this study was accepted.

TestingFourth Hypothesis

The fourth hypothesis in this study examines differences in disclosure of Islamic ethical identity and financial performance that is proxied by the variables ROA, ROE and EVA, between Islamic banks in Indonesia-Malaysia and Islamic banks in the GCC. Analysis of the different independent-sample T test using SPSS 16 software shows the following calculation results:

Tabel 6 Results of Differences Test EII Disclosure and Financial Performance

No.	Variable	Sig.	t value	F value
1	EII	0,124	1,321	2,406
2	ROA	0,147	0,676	0,703
3	ROE	0,074	0,729	2,043
4	EVA	0,641	0,624	0,219

Source : Research Result

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Data on Islamic banks are grouped into two, namely Islamic banks operating in the GCC and Islamic banks operating in Indonesia-Malaysia. The number of samples in the GCC group consisted of ten banks, and Indonesia-Malaysia consisted of nine banks.

From the analysis of different tests it can be seen that the F test for equality of variances in appendix 5, each variable shows the number <F table (2.706) and the Sig. each variable> 0.05 so that Ho is accepted or concluded that there is no difference in the EII score variance and financial performance between Islamic banking in the GCC and Indonesia-Malaysia. So the fourth hypothesis in this study was rejected.

Discussion

Effects of EII Disclosures on ROA, ROE, and EVA

Based on tests that have been done, the results of data processing show that the EII score influences financial performance as assessed by ROA, ROE and EVA. The results of this study are in accordance with the explanation of the theory of legitimacy. Deegan (2004) explains that the company will continue to strive to ensure that they operate within the framework and norms that exist in the community or the environment in which the company is located, this ensures that their activities (company) are accepted by the community. Legitimacy can be achieved when the existence of a company is in harmony with the existence of a value system that exists in society and the environment (Deegan et al, 2002).

Islamic banks in trying to provide the best service would certainly make its identity as an Islamic bank as an important thing that must be maintained in order to match the embedded label. From these efforts, customers are expected to get services as expected. Even more important, the implementation of the values of the Qur'an and the Hadith are applied correctly.

In addition to the theory of legitimacy, the results of the study are also supported by signal theory that explains the relationship between disclosure of company information with investment decisions of parties outside the company. From the perspective of industrial or organizational psychology, signal theory does not only apply to consumers, investors, or outside parties of the company but also signals to employees or parties in the company today and the future (Karasek and Bryant, 2012). Signal theory is related to the company's efforts in communicating company information, as a source of information including for customers and investors to obtain information about how far the company carries out activities in accordance with their expectations.

The results of this study are also consistent with the results of research conducted by Berrone et al (2007) which shows the results that companies that disclose an ethical identity improve financial performance (measured by ROA and MVA). Whereas the research of Chun et al. (2011) shows that collective organizational commitment and organizational citizenship behavior mediate the relationship between corporate ethics and corporate financial performance.

These results indicate that information needed by investors in making decisions in addition to financial information is also information related to ethical identity information, especially Islamic banks that are highly related to discipline in the implementation of Islamic values so that customers and investors and other decision makers get information globally related to implementation principles that are used as the basis of Islamic bank operations.

Chun et.al (2011) suggested that company employees are agents, their role should not be ignored in the relationship between company ethics and company performance. With the disclosure of Islamic ethical identity by Islamic banks, every internal party of the company will be encouraged to carry out their duties within the company in accordance with Islamic principles and stakeholder expectations. The implementation of Islamic principles in every part of the company will bring investors' trust and commitment, thus increasing the company's reputation which will ultimately gain the loyalty of all stakeholders. The loyalty of all stakeholders will ultimately also encourage the realization of good financial performance

Difference in EII Score and Financial Performance between Islamic Banking in Indonesia-Malaysia and GCC Countries

The results of data processing show that there is no difference between the effect of the EII score on EVA both in Islamic banks in Indonesia-Malaysia and GCC countries. Although both have differences in terms of how the legal environment prevailing in the government system and how to regulate the application of sharia, especially in the banking industry. Governments of countries in the GCC apply Islamic law in banking, while the Government of Indonesia and Malaysia use mixed legal jurisdiction or mixed legal systems (Hasan, 2010).

The results of this study indicate that differences in the legal system applied in a country do not have an influence on the disclosure of Islamic ethical identity on financial performance. The results of this study are supported by the results of Laldin et.al 2012 research which conducted a comparative study between Islamic banks in Malaysia and GCC related to fatwas issued by authority institutions regarding Islamic banks. The results showed that the most important role in the operation of Islamic banks is a fatwa. Fatwas have a role to develop, regulate and oversee the development of Islamic banks.

This shows that the sharia legal system applied in the government has not fully regulated all aspects of life, because from the explanation of the results of Laldin et.al 2012 research, the role of fatwa has the most decisive position in relation to sharia banking regulations. The results of the study by Laldin et.al (2012) showed that between the two regions that were the object of research, there was no difference in sharia perspectives between fatwa issuing institutions both in Malaysia and the GCC.

CONCLUSIONS AND IMPLICATIONS

Conclusions

Based on the results of research that has been done, it can be concluded several things, namely:

1. Disclosure of Islamic Ethical Identity Index of Islamic banks in Indonesia, Malaysia, and the Gulf Cooperation Council countries on average has a broad scope of disclosure at 48% (of 78 items) and has increased from 2008-2012.
2. There is a significant influence of the score of Islamic ethical identity disclosure as measured by the Islamic ethical identity index, on the financial performance of Islamic banking as measured by ROA, ROE, and EVA.
3. There is no difference in variance in EII scores and financial performance between Islamic banking in Indonesia-Malaysia and GCC countries.

Implications

1. Based on the results of content analysis and descriptive statistical analysis, it shows that the average EII disclosure score of the entire sample in this study shows a value <50%. This shows that Islamic banking needs to increase its commitment to implement Islamic principles and inform optimally through the role of accountants to stakeholders, thus demonstrating its ethical identity as an Islamic bank and supporting the achievement of the implementation of Islamic banks in accordance with their functions in the community economy.
2. The results of the linear regression analysis show that the disclosure of Islamic ethical identity has an influence in improving financial performance, the more optimal the expression of ethical identity, Islamic banks are able to improve their financial performance so that this can be one step for Islamic banks to increase their commitment to implement the principles sharia and inform stakeholders.
3. From the results of different tests, shows that the government needs to increase its role in supporting the implementation of the role of Islamic banks through appropriate regulations.

Synergize with various parties so that Islamic banking is able to compete competitively and efficiently show its contribution in meeting the needs of financial institutions in the community.

4. Islamic banks need to increase their understanding and awareness of the importance of implementing Islamic ethics. Islamic banks as institutions that are implemented based on Islamic principles are expected to be able to develop and integrate every stakeholder comprehensively and based on sharia principles. This is related to muamalah sharia which has the main philosophy of partnership and togetherness in realizing fair and transparent economic activities. Comprehensive disclosure of information will also facilitate stakeholders in making decisions.

5. It is necessary to formulate an international standardized format for Islamic financial institutions related to ethical identity disclosure. This is needed in order to support the process of stakeholder monitoring and evaluation of Islamic financial institutions, so as to support the implementation of Islamic sharia principles. It is also expected that the implementation of company activities is not only oriented towards the economic sustainability of the company but the main objective of achieving the benefit of the Ummah.

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