

**THE ANALYSIS OF THE LIMITATIONS OF INFORMATION CONTENT OF SHARIA BANK REPORTS IN INDONESIA: THE CRITICISM OF SHARIA PERFORMANCE DISCLOSURE**Ahim Abdurahim<sup>\*1</sup><sup>\*1</sup>Department of Accounting, Universitas Muhammadiyah Yogyakarta, Indonesia)**Abstract**

This research aims to propose suggestions to the accounting organizations to improve the Sharia Accounting Standards in Indonesia. The study used the qualitative approach with “Aminullah” perspective. The data were analyzed through transcendental dialectics method by finding the harmony between qauliyah with kauniyah verse in order to obtain the conclusion. Based on the discussion and research finding, it may conclude that there are two recommendations for improving sharia accounting standards. The recommendations are; 1) The sharia accounting standards required to identify whether the transaction operations run in line with the sharia principles, 2) the sharia accounting standards obliged to provide and disclose the frequency and material of illegal operation against sharia principles in the sharia entities financial report. The research also produces the contributions in the form of sharia financial report which contains the sharia performance which may encourage the stakeholders in assessing the sharia performance objectively. Also, motivate the management of sharia entities to improve the sharia performance.

**Keywords:**

PSAK Sharia, Aminullah perspective, transcendental dialectics method, sharia performance

**INTRODUCTION**

The responsive step of accounting organization in Indonesia; Institute of Indonesia Chartered Accountants (Ikatan Akuntan Indonesia (IAI)) in accommodating the needs of sharia entity necessary appreciated. Started on 2003, when IAI defined the Sharia Accounting Standard number 59 on Islamic Bank Accounting which specialized become accounting standard for sharia banking. Then, on 2007 it was revised by determining the Sharia Accounting Standard for sharia transactions and continued to the next accounting standard in the next year.

Even though many improvements and compliances toward sharia accounting standard on 2007 and subsequent, in reality, there are still substantial matters that unresolved by sharia accounting. For example is the disclosure of sharia performance information in financial reporting of sharia finance institutions [1]. The substance matter discovered by researcher through a simple test using five bank financial statements<sup>1</sup> which confirmed by some relevant informants. Those five bank statements proposed to the National Sharia Council (Dewan Sharia Nasional – DSN-MUI), the supervisory board of sharia banks, sharia accounting expert, supervisor of the Financial Services Authority (OJK), sharia bank directors and sharia bank manager who lead the reporting of sharia bank. The same three questions in the sequence provided for those informants, as follow:

1. From these five banking financial statements, please separating the conventional and sharia.
2. From these three sharia banking statements, please analyze which bank has better financial performance.
3. From these three sharia banking statements, please examine which banks have better adherence to sharia principles (sharia performance).

From the questions mentioned above, the answer is that all of the informants can differentiate easily between sharia and conventional banking financial statement by identifying the existence of postal financial reports based on sharia contact. As well as the answer for second question i.e. it was quickly answered by showing the

implementation of the budget parameters such as CAR, ROA, NPF and others. Unfortunately, it is difficult for the informants to respond to the last question. But in the end, all of the informants stated the same answer explicitly that this sharia financial banking statement does not provide any pieces of information related to the level of compliance toward sharia principles.

In another time and place, one of informant i.e. sharia accounting expert, giving a response. The response is that disclosure of sharia performance is not the responsibility of the sharia accountant standard, but it is the responsibility of Sharia Supervisory Board (Dewan Pengawas Syariah). According to the researcher, that answer is not reflecting the essence of sharia accounting standard which explicitly mentioned the term of "sharia". It may lead to the consequence for sharia accounting standard to provide information on the obedience of sharia financial institution against sharia principles.

As a result of those limitations, the implications are not simple, firstly, the stakeholders cannot analyze the level of obedience toward sharia principle. Secondly, the financial statement cannot reveal which sharia financial institution obeys the principle of sharia. Those implications have a bigger advanced impact; firstly, since there is no compliance information toward sharia principles then, society treats all sharia banking in the same way without considering the essence of sharia principle. Secondly, for the sharia banks which are not applying the principles of sharia, intentionally abuse the limitations of sharia accounting standards to hide deviations against sharia principle. Those further impacts have some negative influences in developing sharia financial institution and enforcing principles of sharia in muamalah [1].

The limitation of the presentation and disclosure of compliance toward sharia principles caused by sharia accounting standard cannot identify which transaction is in accordance with sharia principles. This phenomenon caused by sharia accounting standard which arranged by IAI dominated by the values of materialism and rationalism Atmeh and Ramadan [2], it may cause inability to capture the essence of the transaction. The dominance of materialism and rationalism occurred in the process of formulating sharia accounting standard through a modified approach of conventional accounting standard which resulted from the translation of Framework for the Preparation and Presentation of Financial Statement [3].

The research structured in the following order: the background of the importance of research, a literature review on the dominance of materialism and rationalism in sharia accounting standard and the excelent of sharia accounting standard, research methodology, result, conclusion, and contribution.

### **The Process of Arrangement of Sharia Accounting Standard in Indonesia**

From the history, modern accounting was developing in Western society that embraces the value of capitalism 2 and secularism. Those values affect the practice of accounting nowadays Abu-Abbass and Al-Abdullah [4], including Indonesia. The birth of civilization of Western society inspired by enlightenment teaching which makes rationalism becoming a dominant element in regulating all human affairs and in determining the value of truth defeat intuition and faith. The existence of God and religion is questionable and has no meaning in human life. The consequence of this practice is the hereafter and accountability to the God for the deeds in the world becoming a fantasy only [5].

Based on this secular view, material thing becoming the primary objective of life [5]. Those values are extremely different with the spiritual values of the east which religiously believe in God and religion. The contradict belief may lead to the incompatibility of the application of modern accounting in developing countries [6] including Indonesia who recognizes the sharia economic system as part of the national economic system.

In sharia economic system, sharia accounting standards are required to support financial statement for sharia entities. It caused by the sharia entity has transaction characteristics, users, objectives, measurements, assessments, and priorities that must be in accordance with the principle of sharia [1]. Sharia entities require sharia accounting standard. It is becoming the guideline in identifying the transactions in accordance with the principle of sharia.

Also, it is different to the transaction which in accordance with the modern accounting (capitalism and secularism). If the sharia transaction oriented to the modern perspective then, financial statement of sharia entities will not be

in accordance with the principle of sharia. This phenomenon shows that it is important to keep sharia transaction concept in line with the sharia principles [7].

In Indonesia, the existence of sharia accounting standard due to the establishment of sharia accounting by IAI (Ikatan Akuntan Indonesia – Institute of Indonesia Chartered Accounting). IAI uses a modified approach to modern accounting in establishing sharia accounting [1]. This approach provided in the Basic Framework of Preparation and Presentation of Sharia Financial Statements (Kerangka Dasar Penyusunan dan Penyajian Laporan Keuangan Syariah – KDPPLK Syariah). The source of KDPPLK Sharia is the modification of Basic Framework of Preparation and Presentation of Financial Statement prepared by IASC (The International Accounting Standards Committee) [3].

It occurred on 1994 when IAI officially used modern KDPPLK which originally comes from The Framework for the Preparation and Presentation of Financial Statement made by IASC for Indonesia [8, 9].

The modification approach used by IAI has some limitations. The restrictions are the existence of modern accounting values is not in line with the sharia principles. It is in the form of materialism values such as maximization of wealth, income orientation, and time value money [2], makes a diversity in sharia accounting [10]. Whereas sharia accounting should be in accordance with the principles of sharia (tawhid) [11]. It aims to actualize the obedience of sharia entities toward sharia principles [12].

Furthermore, IAI developing modern KDPPLK to be sharia KDPPLK (IAI, 2009a). As a consequence, current KDPPLK which dominated by capitalism values [13, 14] affects the value in sharia PSAK. From the concept of recognition and measurement in Sharia PSAK. It has no significant differences from the idea of recognition and measurement in modern accounting (modern PSAK) i.e. to limit the acceptance of limited transactions to the form of economic system that measured in monetary units [15-17].

The concept of recognition and measurement in Sharia KDPPLK arranged by Financial Accounting Standards Board (DSAK – Dewan Standar Akuntansi Keuangan) is the result of modification theory of recognition and measurement in modern KDPPLK. It conducted by changing the terminology of “company” to “sharia entity.” In reality, the concept of recognition and measurement of modern KDPPLK is the translation of the concept of recognition and measurement which arranged by IASC which contain secularism and capitalism. Secularism and capitalism perspective in IASC adopted entirely in the concept of recognition and measurement of modern accounting. In addition, it still firmly inherent in Sharia KDPPLK in the form of limitations in viewing the transaction only on economic aspects and monetary units.

Since the secularism and materialism value firmly stick in sharia accounting standard then, the dominance of material perspective in a financial statement still exist. This thing causes the sharia financial statement cannot disclose the sharia performance well with the sharia performance. Referring to the fairness and equilibrium principles which reflected in sharia accounting standard [9] then, sharia financial statement should be able to present the sharia performance and financial performance of sharia entities [18].

### METHODOLOGY

The research used the qualitative approach with an Islamic perspective. Many methods with Islamic perspective utilized by some researcher make the author used “Aminullah” perspective [1]. “Aminullah” perspective is a view which sees a whole reality that includes both physical (material) and metaphysical (spiritual) realities, using the senses, mind, and heart to capture reality and analyze data in formulating science. By using Aminullah perspective, the science of ontology, epistemology, and axiology designed in line with Al-Quran and As-Sunnah (Al-Baqarah [2]: 208). It recognizes the reality of non-material matter, a human identity which consists of the sense, heart, and elements of Islamic teaching i.e. aqidah, sharia and morals.

The Scientific parameter is not restricted to the value of sense and rationality. It based on the spiritual sense referring to Al-Quran and As-Sunnah and the only source of truth science (Allah SWT). Therefore, the truth of science is not restricted to the experience and rational. It needs a supplement of science which may lead to the obedience toward Allah SWT [1]. Aminillah is making sense, mind, and heart as a means to obtain the truth of science [19, 20]. The sense of human is capturing the material object such as; practical activities and field observation.

The information of observation and observation and documentation conducted by a sense of human then interpreted and correlated (dialectically) by using common sense (Al-Quran, Al-A'raf [7]:179; [20]. To obtain the truth of knowledge, all of the information confirmed to the Al-Quran and As-Sunnah as the guidance (hudan) (Al-Quran, Al-Baqarah [2]:2; [19]. The result of mind will produce a temporary conclusion. Furthermore, the researcher, wholeheartedly, asks Allah SWT guidance to give correct understanding (transcendental) from that temporary truth to gain a higher state of the truth through intuition such as revelation in the form of secret messages, as well as divine cues [20] [21]. Aminullah has a belief that Allah SWT is the source of all the truth knowledge which directly told by Allah SWT through revelations sent into the heart of human being as well as given by an effort of contemplation process toward Holly Qur'an verses and reality in this world [20].

The point of the whole data analysis process above is finding a coherence between Kauniyah verses (empirical experiment) and Kauliyah verses (Qur'an) dialectically by using senses and mind. Then, it is transcended by begging Allah SWT guidance to get a higher belief. This technique of data analyzing is called by transcendental dialectic method [1].

#### **Informant and Informant Choice Method**

The informant is chosen by using sampling purposeful which is by considering the right informant according to the researcher needs [22] and using the snowballing method. Snowballing method used by the researcher to extend and to increase the validity and reliability of obtained information. The informant consists of the owner (shareholders), the Board of Trustees, the Board of Directors, the operational manager who leads the financial reporting, accounting department, customer. Also the Financial Services Authority (Otoritas Jasa Keuangan - OJK) of Daerah Istimewa Yogyakarta and The Member of National Sharia Council (Dewan Syariah National (DSN)).

#### **Data Obtaining Process**

Data of the research are obtained by observing, reviewing and documenting research object in a natural setting, then reflected toward The Qur'an and The Sunna. Because the approaching method which used is Islamic spiritualism perspective and do the transcendental process in every research stage, then the researcher, in every research stage, always prays, dhikr, tafakkur (reflection) and tawakkal (trust in Allah) in his activity. The link between the researcher and the Owner of knowledge (Allah SWT) is the essential element in the Aminullah perspective research with the dialectic transcendental approach.

#### **Data Analysis Technique**

The Data are in the form of digital interview record, document, and The Qur'an and The Sunna references which then are processed by transcendental dialectic method, with the following stages;

Digital data made in the form of interview transcript based on time and informant identity. This process is done at the same time of the informant interview process done. On this stage, the roles of the senses and mind are more dominant than the part of the heart.

Interview transcript essence is learned (memoing) and divided based on a certain theme (giving code), adequacy and the relevance of the information. If there is an incomplete information or information which needs confirmation to other informants (snowballing), the researcher will interview the same informant or the different informant including interviewing outside people of BDS Bank as the Board of OJK and National Sharia Council (triangulation). On this stage, the roles of senses and mind are more dominant than the part of the heart.

The complete data (pretended) are compiled based on the same theme with the right line logic. These data and the other data (document, The Qur'an, and The Sunna reference) need to be checked their coherence, so it produces the temporary conclusion. On this stage, the transcendental process is getting stable compared to the previous process. To get Allah SWT guidance in the process of comprehending Kauliyah verses and Kauniyah verses, the researcher strengthens his dhikr, prayers, and tafakkur ( The Qur'an, Surah Al-Waqiah (56); 79).

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The temporary conclusion is processed, asking the truth of it and praying for Allah guidance and do the self-surrender (tawakkal) to Allah SWT with the belief of getting guidance in the form of useful knowledge. On this stage, the transcendental process is more dominant than other processes.

The last conclusion formulation of sharia performance model is compiled according to research report format.

### CONCLUSION

The efforts of Institute of Indonesia Chartered Accountants (IAI) to revise Sharia Accounting Standard no 59 to be sharia accounting standard of 2007 needs to be appreciated as an effort to accommodate and to serve social needs toward sharia accounting standard which up-to-date to the world development. Nevertheless, that sharia accounting standard still has some significant limitations. They are a restriction of identifying transaction which though based on sharia contract. Its operational activity doesn't follow the sharia principles and limitation of dividing income from the transaction which though based on sharia contract, Its functional activity doesn't follow the sharia principles as a halal income.

Those two limitations have very significant influence because they affect the incapability of sharia financial report to explain the sharia performance to the stakeholders. Sharia performance report and explanation are a duty to the sharia entity as the realization of justice and balance principle in the sharia accounting standard which based on Qur'an and Sunna values.

The result of the research, hopefully, can contribute as it presents sharia performance information by the sharia entity to the stakeholders. Thus, the stakeholders can objectively evaluate sharia performance of a sharia entity. Besides, it can motivate sharia entity leaders to improve their performance and wholeheartedly in applying the sharia principles. This research has a limitation that this research is still a suggestion to the Institute of Indonesia Chartered Accountants (IAI) as a consideration to the fix of the sharia accounting standard. This suggestion is still in the form of concept and hasn't been compiled into an applicable format directly.

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