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Implementation of Accounting Standards as an effort to realize the Accountability of Sharia Microfinance Institutions

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Abstract

Purpose - This study aims to analyze the presentation of the financial statements of what factors influence the presentation of the financial statements of Islamic microfinance institutions according to PSAK 101.

Method - This study aims to explore the implementation of accounting standards which are the basis for the presentation of financial statements of Islamic entities, therefore field research with qualitative methods is considered the most appropriate in this study.

Result - The results of this study show that in the implementation of accounting standards, sharia people's credit banks have implemented applicable accounting standards while sharia savings and loan cooperatives which are part of sharia entities have not been fully implemented, this is because there are several parts of financial statements that are not presented even though these parts are not crucial, for example zakat infaq and sodaqoh reports some sharia entities do not present because the ZIS levy has been managed by a separate institution so that the reporting is also separate, besides that there are still many human resources who do not understand sharia SAK is an obstacle that is commonly encountered in the field.

Implication - Referring to the results of this research, through this research, it is hoped that it will have implications for efforts to improve the competence of financial human resources in order to better understand the applicable accounting standards.

Originality - This study seeks to compare the implementation of the presentation of financial statements in several BPRS and BMT and identify weaknesses in the implementation of SAK.

Keywords: Accountability, Financial Statements, Islamic Financial Institutions.

Introduction

Accounting is part of social science, where accounting arises from the activity of interaction between people in a relationship. Therefore, accounting is used to help humans in financial recording problems. Even so, accounting organizations or entities are an important part because they are considered as a useful source of financial information for stakeholders. Accounting becomes an intermediary to present important financial information for stakeholders (Mulgan, 2000). Through financial information reflected in financial reports, it becomes the only medium that can be a reflection of the sustainability of an entity in the future as if it is the main reason why entities are required to present their financial information in financial statements.

The existence of accounting indicates the formulation of a methodology for determining whether the company or institution in question is making a profit or vice versa getting a loss, as an implication of the flow of business transactions carried out. Accounting as a management tool is informative, namely providing information about the financial condition and results of the company's operations as reflected in the financial records of the company concerned. (Hidayatullah, 2020) therefore, the use of accounting standards as a guideline in preparing financial statements is a tool to uniformize the financial responsibility of Islamic entities..

Being one of the countries with the majority of the population is Muslim, making Indonesia the largest Muslim country in the world, in rhythm with this phenomenon, the development of sharia business is also mushrooming in Indonesia. Even so with Islamic financial institutions. The development of a country's ideology and economy affects the development of accounting in a country. In Indonesia, the development of accounting from time to time is influenced by the development of Islamic ideology, which then encourages the development of Islamic economic accounting as a form of reflection on the Islamic ideology. Therefore, the development of accounting is greatly influenced by the development of Islamic economics, so the emergence of Islamic financial institutions, the Islamic banking system, the scandal of international scale companies, and also the emergence of awareness of accountants to act honestly, fairly and not violate the provisions of Islamic sharia.

The main factor that drives the rise of sharia institutions is the rapid development of Islamic financial institutions. The rapid development is accompanied by the challenges faced by the Islamic financial system, including how accounting is treated by Islamic financial institutions. The rapid success and development of the sharia system, in the economic field in particular, has caused special public attention to the Islamic economy, in Indonesia it has Islamic financial institutions including Sharia Commercial Banks, Sharia Insurance, BMT (Baitul Mal wa Tanwil), Sharia Cooperatives, Sharia Pawnshops, and others. One of the drivers of the economy in Indonesia is the existence of cooperatives. With the characteristics of cooperatives as microfinance institutions, cooperatives grow rapidly in the midst of coastal and rural communities (Suandi, 2013) (Hidayatullah, 2020)

Through the important role of sharia cooperatives in the community, the government has made the government to participate in ensuring the security of customer funds in transactions. If the banking entity is in the deposit insurance institution (LPS) then related to regulatory aspects, currently the supervision of Islamic microfinance institutions (BMT) is in two institutions, namely the Financial Services Authority (OJK) and the Ministry of Cooperatives and Micro, Small and Medium Enterprises. However, almost all BMT is under the supervision of the Ministry of Cooperatives and MSMEs.

All operational activities of Islamic financial institutions including their financial statements must be guided by the rules that have been set out in the Statement of Sharia Accounting Standards (PSAK) which have been determined based on fatwas issued by the National Sharia Dewhan (DSN-MUI) and have been adjusted to accounting methods by a special committee of the Indonesian Accounting Association (IAI).

In the development of Islamic Financial Institutions that are inseparable from PSAK Syariah, one of the smallest is the Sharia Financial Services

Cooperative, namely Baitul Maal Wa Tamwil in Indonesia, known to the public as a Sharia Microfinance Institution (Putriningtyas & Usnan, 2019). It is not wrong that then the Indonesian people are more familiar with BMT as a Sharia Micro Bank that operates around the community environment such as in markets, rural areas, suburbs, and some even have offices in a mosque (Hidayat, 2013)

Baitul Mal wat Tamwil is one of the financial institutions engaged in the micro scope. BMT has two terms, namely baitul mal and baitul tamwil. Baitul mal is more towards non-profit fundraising and distribution efforts, such as zakat, infak and almsgiving. Baitul tamwil is an effort to collect and distribute commercial funds. These efforts become an inseparable part of BMT as an institution to support the economic activities of small communities based on Islamic law(Zulkifli et al., 2019).

In BMT, financial statements are made with the aim of providing information about BMT's financial position, performance and cash flow that is beneficial to management in order to make plans, performance measurements, and as a reference for strategic decision making. Financial statements are also submitted at the Annual Member Meeting (RAT) as management's responsibility for the use of funds against members.

In order to regulate BMT's financial statements, a Decree of the State Minister of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia Number: 91 / Kep / M.KUKM / IX / 2004 concerning guidelines for the implementation of Sharia Financial Services Cooperative Business Activities was issued, affirming that accounting treatment related to recognition, measurement and disclosure of all estimates is carried out based on generally accepted sharia accounting principles, namely following the guidelines of Islamic financial accounting standards. Because BMT is one of the cooperatives with a sharia basis, the presentation of financial statements uses sharia accounting principles, which is guided by the Sharia Financial Accounting Standard Regulation Number 101 concerning the presentation of Islamic financial statements.

Literature Review

Accountability

Accountability is literally defined as management's responsibility for the management of funds from the community.(Amerieska et al., 2017). Therefore, accountability is considered important in a company, be it non-profit government or non-governmental organizations (Khotami, 2017). Accountability has long been introduced since the history of Mesopotomia in 4000 BC with the introduction of the Hammurabi law which obliged a king to account for his actions to the authorized party. (Amerieska et al., 2017) (Salle, 2015) Accountability as a term in the theory of public administration practice has been used frequently and the use of the term accountability in the context of political government is not a new problem but has become a rumor in the last decade. There are several definitions of accountability in question (Putriningtyas & Usnan, 2019) define accountability as the embodiment of accountability regarding the success or failure of individuals or organizations in achieving the mission and goals that have been set, which is carried out through the medium of periodic accountability. While (Salle, 2015) (Sujana et al., 2015) (AC, 2014) (Belkoui, 2011) define accountability as an obligation for each individual or organization to account for the resources entrusted to it, related to the management, control and implementation of policies. Accountability consists of five perspectives (dimensions) namely: 1). financial accountability (financial); 2). legal accountability; 3). process accountability; 4). program accountability; 5). policy accountability.

Framework for Presenting Islamic Financial Statements

Realizing accountability that is the demand of the community, it is important to understand the accounting process, because accounting is a process where the result of the process is the presentation of financial statements as a form of accountability. Therefore, to uniformize the output of the accounting process, a basic framework for the preparation and presentation of financial statements is needed. The basic framework or conceptual framework of accounting is a system inherent with the objectives and basic properties that lead to consistent standards and consist of the nature, functions, and limitations of financial accounting and financial statements.

The existence of a conceptual framework is necessary so that financial institutions or entities are able to produce financial reports that are in accordance with coherent standards and rules, which are prepared on the same basis so as to increase the understanding and trust of users of financial statements (Batubara, 2019). This basic framework presents the concepts underlying the preparation and presentation of financial statements for its users. The basic framework applies to all types of Sharia transactions reported by sharia entities as well as conventional entities both public and private sectors. Those included in the basic framework for preparing Islamic financial statements include the sharia transaction paradigm (Batubara, 2019)(Hadi, 2018) (Alhogbi, 2017)

The sharia transaction paradigm is based on the paradigm that the universe was created by God as a mandate (Divine belief) a means of happiness in life for all mankind to achieve material and spiritual true well-being. The substance is that every activity of mankind has accountability and Divine value (Salle, 2015) which places sharia and moral devices as parameters of good, bad business activities. In this way an intergrity will be formed that will eventually form the character of good governance and good market discipline.

Based on 1A1 (2007 paragraphs 28-29) sharia transactions are in the form of business activities of a commercial nature and social activities of a non-commercial nature. Commercial Sharia transactions are carried out in the form of: investment to get profit sharing, buying and selling goods to make a profit, and or providing services to get rewards. Meanwhile, non-commercial sharia transactions are carried out, among others, in the form of: providing loan funds or bailouts (qardh) for collecting and distributing social funds (such as zakat, infak, alms, waqf and grants).

Methods

This research seeks to explore detailed information related to the implementation of the presentation of financial statements based on PSAK 101. Therefore, to answer the formulation of the problems in this study, a qualitative methodology with field studies is applied in this study. Using primary data sources sourced from BMT and BPRS financial management participants in the city of Semarang, this research explored information through deep interviews with the right respondents. The financial manager or accounting department was chosen to be a participant in this study because the section is very relevant to the theme of this research problem and as we know presenting financial reports is the main task of the accounting or financial management department. Based on the interview results, the data that has been collected to ensure the validity and wetness of the data, data analysis techniques are carried out in triangulation (combined), data analysis is inductive / qualitative and the results of qualitative research emphasize meaning rather than generalizations (Neuman, 2017). Triangulation is essentially a multi-million approach carried out by researchers when collecting and analyzing data(MacDonald, 2012) (Gergen & Gergen, 2014) (Flick, 2012).

Results and Discussion

Accountability of assets in financial statements

Financial Statements are the final result of the accounting process designed for making decisions regarding the financial position and business results of an Islamic financial institution. One of the purposes of financial statements is to provide complete information to its users in decision making and as an accountability report of functions that have been carried out by financial institutions. The presentation of financial statements for Islamic microfinance institutions must be guided by sharia accounting standards which in sharia accounting standards number 101 paragraph Nine has been presented that the financial statements are said to be complete if they contain the following elements: 1). Statement of Financial Position; 2). Income statement; 3). Equity change report; 4). Cash flow statement; 5). Report on the source and use of zakat funds; 6.) Report on the source and use of benevolence funds; 7). Notes to financial statements.

Referring to sharia accounting standard number 101 that the complete financial statements consist of 7 reports. However, in its implementation, there are still many Islamic microfinance institutions that have not implemented this. If conclusions are drawn, there are 2 types of financial statement presentations presented by Islamic microfinance institutions, including those that can be seen in the following table 1.

From the table 1, it can be seen that in its implementation, there are still many who do not understand correctly the composition of financial statements in accordance with Sharia accounting standards. Only a few Islamic microfinance institutions present financial reports according to standards including BPRS. As for BMT, there are still many who have not presented the elements of complete financial statements. This is understandable considering that BMT and BPRS are very different, if viewed from the legality, BMT is still under the ministry of cooperatives while for BPRS under the auspices of Bank Indonesia and the Ministry of Finance so that on this basis, it is natural that BPRS in its financial reporting will refer to the accounting standards applicable in Indonesia (Putri & Mutmainah, 2010).

Table 1. Differences in the elements of the financial statements presented by BMT

Elements of presentation of complete financial statement	Element of financial statement type 1	Element of financial statement type 2
Balance sheet	Balance sheet	Balance sheet
Profit and loss statement	Profit and loss statement	Profit and loss statement
Cash flow statement	-	Cash flow
Changes in equity	-	-
ZIS Report	ZIS Report	-
Benevolence fund report	-	-
CALK	CALK	CALK

However, even though the asset reporting in BMT's financial statements has not been in accordance with the standards in summary for the statement of financial position and the majority of income statements have been presented in accordance with Islamic accounting standards, including containing the minimum components that must be present.

One of the financial statements that concerns stakeholders is the balance sheet. In the basic equation of accounting the composition of the balance sheet consists of three main disclosure parts, namely assets, debt and capital. As for sharia financial institutions, on the pasiva side, temporary syirkah funds will be added. This temporary disclosure of syirkah funds is a mandatory disclosure for financial institutions because it refers to the operation of financial institutions that collect funds from the public, the collection of funds must be reported and presented in the pasiva side. It is reported separately by debt and equity. The characteristics of temporary syirkah funds for financial institutions are assets owned by financial institutions but not sourced from the owner's capital and debt. Considering that as an intermediary institution, the function of financial institutions is only as an intermediary between customers who are overfunded and customers who need funds. Therefore, the balance sheet is one of the reports part of the financial statements that are of concern to stakeholders.

If reviewing from what has been presented by Islamic microfinance institutions, it can be underlined that for the collection of funds from third parties on the balance sheet BMT is presented and disclosed in two accounts, the collection of funds sourced from customers is presented on the obligations of the company while for the collection of funds sourced from the dues of the members of the cooperative is presented and disclosed on the equity. As for BPRS, the collection of funds sourced from customers is presented separately on the passive side with temporary syirkah fund accounts. Because in the balance sheet we can find out the wealth or assets of financial institutions both sourced from owners, the public / customers and investors and in the balance sheet stakeholders also know the amount of debt owned by the financial institution. In presenting the financial position / balance sheet, the minimum components required in sharia accounting standards are presenting assets, both current and non-current assets, fixed or intangible assets as well as debt and capital and other components have all been presented in the financial statements. So it can be concluded that the presentation of financial positions has been presented even though there are several components that have different names and accounting standards.

Accountability of financial performance in the Profit/Loss Statement as a form

The twelve-month period is the accounting period during which in one accounting period the entity will be assessed for its financial performance. One of the elements of financial statements that are also the focus of stakeholder attention is the income statement or financial performance statement. An income statement is a report that describes the performance or activities of a sharia entity in a certain period which includes income and expenses arising from the main activities of the sharia entity and other operating activities. Quoting from PSAK 01 that the minimum information presented in the income statement must present at least the following post: operating income, profit sharing for fund owners, profit and loss share of the associated entity and tax expense.

Based on the results of the analysis of the results of the analysis of data that has been carried out by researchers, BMT's income statement consists of operating income, non-operating income and operating expenses and tax costs. The operating income element is income sourced from the main operations of Islamic financial institutions. It consists of revenue sharing, margin income, service income and administrative and arisan opinions. Meanwhile, non-operating income consists of profit sharing income and other income.

In addition to presenting the revenue received in the performance report, it also reports the amount and type of costs incurred by the entity during the accounting period. In the presentation of the cost element, there are three costs, namely firstly the main operating costs derived from the profit sharing of deposits, term deposit bonuses, bank debt profit sharing, depreciation costs, amortization costs and office operating costs including account costs, levy costs, household costs, office equipment maintenance costs, ATK and administrative costs and promotional costs. The second is employee office operational costs (salary costs, insurance costs and official travel costs, and the last is non-operational costs including ZIS costs and other costs. Because costs are obligations that must be paid for operational purposes, the amount of expenses will reduce the size of the entity's business system.

Based on the presentation of diata, it can be concluded that in the presentation of the income statement, the majority of BMT is in accordance with PSAK 101, this can be seen from several presentations as follows: 1).The fund income post as mudharib contained in PSAK 101 in the income statement is categorized as a profit sharing income post; 2). Other operating income items contained in PSAK 101 in the income statement are categorized as operating income; 3). The operating expenses contained in PSAK 101 in the income statement are categorized in operating cost posts. 4). The income and operating expenses items contained in PSAK 101 in the income statement are categorized as non-operating income and non-operating expenses

Based on the classification above, it is concluded that the income statement that has been presented by BMT is in accordance with what is regulated in the accounting standards contained in PSAK 101 that the income statement discloses income and operating expenses and classifies these expenses and income in operating and non-operating expenses and income. In addition to this classification, it turns out that the presentation of the LKMS income statement is also discussed with the title of the business results report consisting of income, operating expenses and the remaining operating results. Compensation includes revenue sharing income, margin income, business participation income, administrative income and other income.

Conclusion

Referring to the results of research on the objects of Islamic microfinance institutions, namely BMT and BPRS, it can be concluded that accountability can be judged from disclosures made by entities or companies. This study examines the disclosure of financial information presented in the financial statements of BMT and BPRS. The results of the study indicate that the disclosure of BPRS financial statements is in accordance with sharia accounting standards in force in Indonesia, especially BPRS is under the auspices of Bank Indonesia so that details are required to be disclosed like banking institutions in general. As for BMT, because it is basically a cooperative where the main source of funds comes from member dues, it has not fully disclosed the financial statements according to applicable Islamic accounting standards. However, the minimal disclosure component in the financial statements has been met.

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