

Opportunities and Challenges of Sharia Accounting Development

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Abstract

The universal basic principles in shariah accounting operations based Al-qur'an (Al Baqarah :282), namely the principle of responsibility, the principle of justice and the principle of truth. Rapid development in business activities and based financial institutions (banks, insurance, pension fund capital markets, etc.). In recent decades, financial institutions have increased the volume and value of Sharia-based transactions, which of course has increased the need for Sharia accounting. Furthermore, the development of thinking about Islamic accounting is also growing, which is marked by the increasing acceptance of the principles of Islamic transactions in the international world. This study uses descriptive analysis with the development of a conceptual model. This study analyzes various opportunities and challenges in the application of Islamic accounting. Shariah accounting there is a combination of two elements of science, namely accounting and sharia. The approaches used are the ideal approach (exploring authoritative sharia sources and then derivation) the sky approach and a pragmatic approach that uses conventional accounting to then carry out the purification process. In this approach, of course, it must be based on the maqashid sharia principle. The biggest challenge is how to break away from the conventional capitalistic financial accounting paradigm and way of thinking and then develop its own Islamic paradigm. Accountants must have expertise in technology and data analytics. Other than that, the real challenge in Islamic accounting is related to public acceptance of the concept of Islamic economics.

Keywords: Accounting, Shariah Perspective, Technology.

INTRODUCTION

Accounting practices in a country are developed intentionally to achieve certain social goals. In Indonesia, the development of accounting practices is characterized by accounting practices based on Islamic values, known as sharia accounting. The concept of sharia in accounting is a reflection of Islamic teachings that touch all aspects of human life, including economic and accounting concepts. The development of sharia accounting is part of the dynamics of the development of accounting theory in accordance with the social conditions of the Indonesian people, most of whom are Muslim. The logical consequence of this social condition is the government's willingness to accommodate accounting concepts that are in accordance with the conditions of Islamic society, namely the concept of accounting from an Islamic point of view.

The practice of sharia accounting in Indonesia has developed rapidly, and has received a positive response from the public and the government. One of the responses from the government is the existence of standards that serve as guidance for Islamic financial institutions. In the assessment of the Global Islamic Financial Report (GIFR) in 2011, Indonesia ranks fourth country that has the

potential and is conducive to the development of the Islamic finance industry after Iran, Malaysia and Saudi Arabia.

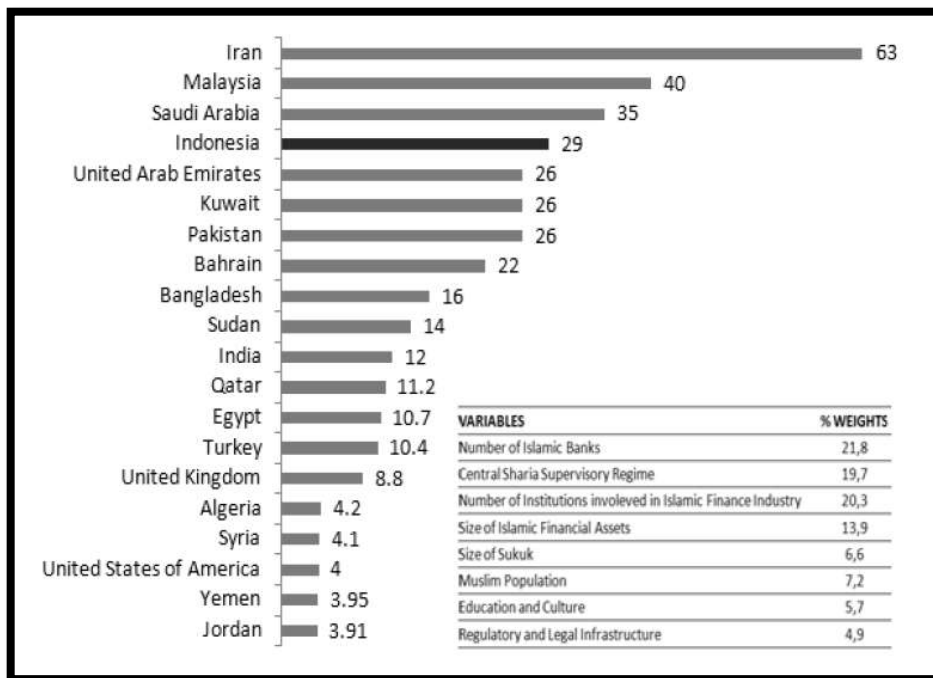


Figure 1: Islamic Finance Country Index (IFCI, 2011)

Several aspects in calculating the index, such as the number of Islamic banks, the number of non-Islamic financial institutions, as well as the size of the Islamic financial assets that have the largest weight, then Indonesia is projected to will be ranked first in the next few years.

This optimism is in line with the pace of institutional expansion and accelerated growth very high Islamic banking assets, coupled with the volume of issuance increasing sukuk. The development of Islamic finance in Indonesia that more market driven and bottom-up encouragement in meeting needs society so that it relies more on the real sector is also an advantage separately. In contrast to the development of Islamic finance in Iran, Malaysia, and Saudi Arabia, where the development of Islamic finance is more reliant in the financial sector, not the real sector, and the role of the government is very dominant (Halim Alamsyah, 2012).

Rapid development in sharia-based business activities and financial institutions (banks, insurance, capital markets, pension funds, etc.) In the last three decades, financial institutions have increased the volume and value of Sharia-based business transactions, which of course has increased the need for Sharia accounting. (Wasilah, 50:2015).

The development of thinking about Islamic accounting is also growing, which is marked by the acceptance of the principles of Islamic transactions in the international world. The existence of Islamic accounting can be accommodated to grow and find its form with the existence of Islamic economic and financial institutions (Faiz, 2017).

LITERATURE REVIEW

Definition of Shariah Accounting

The definition of being free from Sharia is the rules that have been set by Allah SWT which are obeyed by humans in carrying out all their life activities in the world. Therefore, Islamic accounting can be defined as the accounting process for transactions in accordance with the rules set by Allah SWT. The American Accounting Association (AAA) defines accounting as identification, recording, classification, interpreting and communication economic events to permit use to make informed decisions. Islamic accounting (Shariah) is an “accounting process” which provides appropriate information (not necessarily limited to financial data) to stakeholders of an entity which will enable

them to ensure that the entity is continuously operating within the bounds of the Islamic shariah and delivering on its socioeconomic objectives.

Comparison of Conventional Accounting and Islamic Accounting

Conventional Accounting	Islamic Accounting
➤ [Entity] Separation between business and owners	➤ Firm does not have separate financial obligation (i.e profit sharing scheme)
➤ [Going Concern] Business continues forever	➤ Depend on contractual agreement between party
➤ [Accounting Period] Periodical measurement of performance	➤ One lunar year for zakat calculation
➤ [unit measure] Monetary Value	➤ Quantity based and monetary based (zakat calculation)
➤ [Full Disclosure Principle] Decision Making Process	➤ Importance for fulfillment of duties and obligation to God, society, and individual
➤ [Objectivity] Reliability of Measurement	➤ Clear conscience with God in fulfilling all duties
➤ [Materiality] Relative importance of information for decision making	➤ Consistence to share rules
➤ [Consistency] Consistency based on GAAP	➤ Most favorable to society (justice)
➤ [Conservatism] Use least favorable impact on owners	

(Source Haniffa and Hudaib, 2002)

RESEARCH METODOLOGY

This paper follows descriptive research that is, research conducted to find out independent variable value, either one variable or more (independently) without making comparisons, or linking with variables another (Sugiyono, 2011). Past literature and research findings are used to gather information on a global perspective. Journal articles and websites are also used for collecting information that provide explanations regarding Opportunities And Challenges of Sharia Accounting Development.

FINDINGS AND DISCUSSION

Principle of Shariah Accounting

In Surah Al-Baqarah verse 282, it is stated the obligation for believers to write every transaction that is still not completed (not completed or non-cash). In this verse it is clear that the purpose of this command is to maintain justice and truth, meaning that the order is emphasized on the interests of accountability so that the parties involved in the transaction are not harmed, does not cause conflict, and is equitable. The Qur'an protects interests society by maintaining the creation of justice and truth. By Therefore, the pressure from accounting is not decision making (decision) also accountability.

Opportunities of Shariah Accounting Development

Prospects and Directions for Sharia Accounting Development Along with the development of sharia-based business and non-business institutions, the need for sharia accounting will continue to exist. Practical sharia accounting to meet the transaction needs of the entity will continue to grow by balancing accounting disciplines with the sharia transaction basis.

Along with the increasing awareness of Muslims in implementing the Islamic religion and the fulfillment of the view that the aspect of Islamic muamalah is universal, the use of maqasid ash sharia will be more widespread in the development of applicable sharia accounting and in accordance with Islamic teachings.

In addition, accounting is something that cannot be separated from business or economic activities in particular and human life in general. In Indonesia, with the largest number of Muslims in the world, there is an opportunity to implement a comprehensive Islamic accounting system. Currently, Indonesian banking has made quite good progress, namely implementing PSAK 59 which came into force in 2003.

PSAK 59 states that a complete financial report consists of a Balance Sheet, Income Statement, Cash Flow Statement, Report on Changes in Shareholders' Equity, Report on Changes in Tied Investment Funds, Report on Sources and Use of Zakat, Infaq and Shadaqah Funds, Report on Sources and Use of Qardhul Hasan Funds, Notes to financial statements.

Challenges of Shariah Accounting Development

A rule of the game, especially accounting standards, will be complied with if certain requirements are met. Exactly compliance (compliance) will be determined by two things, namely the existence of acceptance and enforcement (Adanan, 79:80).

Acceptance will be determined by five factors, namely Clarity in standards, openness in process, clear objectives for standards setting body and stakeholder participation. In addition, enforcement will also be effective if the conditions for clarity in standards, explicit guidelines, enforcement mechanisms, funding and power are met. In a simple and normative way, questions about the prospects and challenges of Islamic accounting can easily be answered by taking into account the above framework. That is, the prospects will be good, if the above requirements are met,

Therefore, the situation of Muslims must be smarter to play their role, especially in explaining the various concepts, systems, orders or value systems they have to answer the challenges of an increasingly complex world society.

CONCLUSION AND SUGGESTION

Shariah accounting there is a combination of two elements of science, namely accounting and sharia. The approaches used are the ideal approach (exploring authoritative sharia sources and then derivation) the sky approach and a pragmatic approach that uses conventional accounting to then carry out the purification process. In this approach, of course, it must be based on the maqashid sharia principle. The biggest challenge is how to break away from the conventional capitalistic financial accounting paradigm and way of thinking and then develop its own Islamic paradigm.

Accountants must have expertise in technology and data analytics. Other than that, the real challenge in Islamic accounting is related to public acceptance of the concept of Islamic economics.

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