

Accounting Accountability of Islamic Culture

Daiyinta Condroning Pawestri Handoko

Airlangga University

DOI: 10.29322/IJSRP.10.08.2020.p10440

<http://dx.doi.org/10.29322/IJSRP.10.08.2020.p10440>

Abstract: The influence of religion in accounting practice is not a problem that has been explored for most studies in conventional literature although this can easily be seen how the two are interrelated. Religion has a role in shaping and enforcing ethical behavior such as honesty, and justice which in a community these values can be characterized by a high level of trust in business affairs and financial management. This article is intended to produce an understanding of the contribution of Islamic culture in accountability by using a qualitative approach based on literature study to obtain a broad overview of accountability in Islamic culture. The main task of a Muslim is to serve God (Allah) in all aspects of life because Islam does not recognize divisions between secular and sacred activities. The Islamic framework guides people through divine revelation which governs all social, economic and political activities, and does not accept secularism as something different from religion. Islam has its own cohesive rules that dictate how business should be run and these rules can be applied at any time and in any culture. Therefore, accountability in Islam is an obligation that must be carried out as a form of accountability to stakeholders or the wider community.

PRELIMINARY

The influence of religion on accounting is not a problem that has been explored for most studies in conventional literature although this can easily be seen how the two are interrelated. Traditionally, religion has a role in shaping and enforcing ethical behavior such as honesty, and justice. Where in a community these values can be characterized by a high level of trust in business and financial affairs. In general, culture is known as the determining factor of accounting. Where culture is a factor that distinguishes members of one group from another group regulates how individuals view their responsibilities in carrying out the task. If culture is considered to influence the application of accounting, so does religion. Hamid, Craig and Clarke, 1993; Lewis, 2001). For example, in the biblical command to give Caesar the things that belong to Caesar and to God the things that belong to God, where this causes a difference between the sacred and the secular. Whereas in Islam, the realms of God and Caesar are one, not separate jurisdictions, as permitted by Christianity (Lewis, 2001).

Two specific aspects that shape the relationship between Islam and accounting one of which is that Islamic law, sharia, claims to regulate all aspects of life, ethics and social, and includes criminal jurisdiction and also civil jurisdiction. Every action taken must be in accordance with Islamic law and comply with ethical standards derived from Islamic principles. Accountants, like other adherents, must carry out their duties in accordance with Islamic regulations and base their actions on Islamic ethical norms. This ethical principle defines what is true, fair, the nature of corporate responsibility, community priorities, along with some specific accounting standards. Second, besides providing a set of business ethics, certain Islamic economic and financial principles have a direct impact on accounting practices and policies.

Based on ethical principles in Islam, accounting requires fairness and honesty in corporate responsibility called accountability. This accountability is a form of corporate or organizational responsibility especially for organizations engaged in the non-profit field.

In this article, I will review the nature and nature of Islamic business law. Then review accountability in the perspective of Islamic law. The final section will discuss accountability in terms of religion, especially in non-profit Islamic religious organizations.

METHOD

This article is intended to produce an understanding of the contribution of Islamic culture in accountability. In the process, this article uses a qualitative approach based on library studies to obtain a broad overview of accountability in Islamic culture. Literature study is a written summary of articles from journals, books and other documents that describe both past and present theories and information. According to Sugiyono (2012), library studies are related to theoretical studies and other references relating to values, culture and norms that develop in the social situation under study, besides library research is very important in conducting research, this is because research will not be separated from literature -Scientific literature. Based on this understanding, then the article on the contribution of Islamic culture in accountability uses a variety of materials contained in the library space, such as journals, books, and other literature relevant to the topic of discussion. Thus this article aims to explore the idea of an Islamic cultural approach as a basis for increasing accountability, especially in non-profit Islamic religious organizations.

RESULTS AND DISCUSSION

Nature and Islamic Business Law

Those who spearheaded Islamic economic thought developed regulations to carry out trade, banking and finance from Islamic or sharia law. The literal meaning of the Arabic word sharia is "the way to the source of life" and, in a technical sense, it is now used to refer to the legal system in accordance with the code of conduct based on the Qur'an and hadith. Muslims cannot combine their behavior into religious and secular dimensions(Simanjuntak & Januars, 2011), and their actions are always bound by sharia. Thus, Islamic law embodies a set of duties and practices that include worship, prayer, etiquette, morals, marriage, inheritance, crime, and commercial transactions which cover many aspects which do not have to be considered as laws elsewhere (Lewis, 2001). As such, Islamic law is entirely religious, and because holy law contains the core of the Islamic faith itself.

Just as Islam regulates and influences all other areas of life, it also regulates business and trade behavior. Muslims must carry out their business activities according to their religious requirements in order to be fair, honest and fair to others. Rahman in Lewis (2001) notes that there are a large number of Islamic concepts and values that determine the level and nature of business activities. There are many positive values such as iqtisad (moderation), adl (justice), ihsan (goodness), amanah (honesty), infaq (expenditure to fulfill social obligations), sabr (patience) and istislah (public interest). Likewise, there are a number of negative values, and therefore must be avoided, namely zulm (tyranny), bukhl (miserliness), hirs (greedy), iktinaz (accumulation of wealth) and israf (waste). Economic activity in positive parameters is halal (permissible and praiseworthy) and in negative parameters is haram (prohibited and despicable) which must be moderated. Production and distribution regulated by halal code must be in accordance with the definition of adl (justice). Collectively, these values and concepts, together with the main commands of the Qur'an, provide a framework for fair business and commercial systems.

Islamic Accounting - Social Accountability

In the Qur'an, the word Hisab is repeated more than eight times in different verses (Askary and Clarke, 1997). Reckoning or "account" is the root of accounting, and references in the Qur'an, reckoning relating to one's obligation to take into account all matters relating to human endeavors for which every Muslim is accountable (Lewis, 2010). All resources available to individuals are made in the form of trust. Individuals are trustees of what they have given by God in the form of tangible goods, property and assets. The extent to which individuals must use what is entrusted to them is determined in sharia, and the success of individuals in the afterlife depends on their performance in this world. In this case, every Muslim has an "account" with Allah, which records all good deeds and all bad actions, an account will continue until death, because God shows everyone about their judgment on the

day of their judgment (SA: 62). This adds an extra dimension to evaluating things and actions compared to what is included in conventional financial statements.

The basic similarity between reckoning in Islam and accounting lies in the responsibility of every Muslim to carry out the tasks described in the Qur'an. Likewise, in business enterprises, management and capital providers are responsible for their actions both inside and outside their companies. Accountability in this context means accountability to stakeholders or the wider community. Many conventional accounting practices that best fit the concept of personal liability do not seem to fit the type of liability required under sharia. Thus, one of the main objectives of Islamic accounting is to provide information that frees those involved in the company from their responsibilities to the public.

Accountability of Religious Nonprofits

A religious organization is an organization whose activities are related to a particular religion, both concerning matters of worship and all activities in carrying out its obligations towards God related to certain religions and beliefs. This religious organization can refer to organizations within a mosque, mosque, church, temple, temple, temple, temple, and other organizations outside of religious organizations engaged in the religious field. So that in the process of implementation, this religious organization is managed by an institution or organization that arises from the awareness to carry out the vision and mission in accordance with the teachings of each religion(Bastian, 2007).

Basically religion is more focused on the problem of moral values that must be applied in life. Therefore, religion which is a teaching that carries the message of God must be translated and interpreted as relevant to human life in the economic, political and cultural aspects of humanity. So in this case, religion cannot be separated from science, one of them is accounting.

Accounting is seen as a field of science that is more on worldly practices that are separate from religious or spiritual values (Simanjuntak & Januars, 2011). So the perception of religious institutions is dominated by the understanding that accounting is a practice that only focuses on financial practices that are more worldly in character. This results in religious institutions becoming more apathetic towards the role of accounting and considers that accounting is not much needed in the performance of services in religious institutions(Simanjuntak & Januars, 2011). This opinion is not entirely wrong or right, because basically accounting can be interpreted more broadly, not only focused on conventional financial reporting practices.

Accounting practices cannot be separated from the values, conditions, and influences of the surrounding circumstances, including the influence of religion in the field of accounting. Although discussions between accounting and religion are still rarely discussed, the link between the two can be easily seen(Lewis, 2001). Traditionally, religion has a role in shaping and applying ethical behavior such as truth, honesty and justice. Whereas in accounting, ethical behavior also becomes very important in accounting practices.

In the process of its implementation, religious organizations cannot rule out accounting. The existence of accounting in religion or religious organizations in it can be seen both from historical evidence and the contents of the scriptures that guide each religion(Bastian, 2007). The matters regulated in the holy book include, among others, the activities of buying and selling, debts and leases based on truth, certainty, openness and fairness between the two parties that have a relationship. So it can be concluded that religion and accounting science have a relationship as a form of accountability of the management of the organization to the owner and third parties, both donors, lenders and banks.

Religious organizations can be classified characteristically into non-profit organizations. This is because religious organizations are more focused on providing services and are not oriented to make a profit with funding sources that come from donations, investments, charging fees for services provided and providing assistance from the government. So, in the implementation of financial management, non-profit organizations do not make a profit but can get a profit or a surplus which is the difference between cash inflows and cash outflows(IAI, 2010).

As a non-profit-oriented organization, a non-profit organization has a primary business goal to provide services to the community and not to maximize the prosperity of the shareholders. Therefore, the management system in a non-profit organization is generally chosen by the board of management, both leaders, management or the person in charge who will give accountability to the owner and the funder. The accountability of the board must be transparent and accountable so that the information provided is reliable and trustworthy(Mohamed et al., 2014; Randa, 2011; Said et al., 2013; Simanjuntak & Januars, 2011). Related to the concept of accountability in relation to accounting as a means of accountability, accountability is an inseparable part of a non-profit organization. So the nonprofit organization needs to present financial reports that can not only be used to assess the entity's nonprofit organization in providing its services and the sustainability of service delivery but also assess the accountability of the board of management for the duties, obligations and performance mandated(IAI, 2010).

Religious organizations as part of non-profit organizations have an obligation to compile financial reports as a means of accountability for the management of donors in managing the funds that have been given. In general, the Indonesian Institute of Accountants regulates the mechanism for preparing financial statements of nonprofit organizations in Statement of Financial Accounting Standards Number 45 concerning Financial Reporting of Nonprofit Organizations, which outlines the purpose of preparing financial statements, the nature of fund restrictions, and the components of financial statements in nonprofit organizations(IAI, 2010).

But unfortunately, accounting practices in religious institutions or organizations are still considered to be less common. In general, the board of directors of religious institutions is more likely to manage resources and to report in a reasonable manner without seeing the rules or standards that apply. So in this case some researchers are interested in examining accounting practices in religious institutions, especially highlighting the accountability of the financial statements prepared. In a study that examined the management of church funds, it was revealed that there were two fund management, namely stationary funds and development funds that had been prepared in a report of accountability to all church congregations in a transparent manner by announcing the receipt and expenditure of sources of funds obtained each week at the convention.(Randa, 2011). This shows the existence of accountability practices in the management of church resources in which the meaning of Christianity, spiritual, obedience, love, and example becomes a reference to animate the value of accounting and accountability of church duties(Tumiwa et al., 2015).

On the other hand, although a study of financial statements in a mosque in Tangerang district shows that financial reports have a role as an important instrument for mosque management as a manifestation of honesty and accountability of the management (Simanjuntak & Januars, 2011). However, this raises a new dilemma, which encourages "happy" behavior. So in this case, transparency and accountability are not yet fully implemented.

In addition to several research studies on the role of financial statements in the accountability of religious institutions in both churches and mosques that were previously revealed, several other researchers also suggested that in non-profit religious institutions, good internal control and active involvement of mosque committees in funding activities could improve mosque financial performance. (Mohamed et al., 2014; Said et al., 2013). A good and strong financial performance of the mosque will help facilitate the mosque to conduct quality programs. So in this case the mosque fund management system, especially on internal accountability and control practices is needed. The mosque is classified as a non-profit organization that handles public funds received from the government, corporate and community donations, thus requiring control over financial activities in handling funds received and disbursed by the organization.

CONCLUSION

The main task of a Muslim is to serve God (Allah) in all aspects of life because Islam does not recognize divisions between secular and sacred activities. Accounting, if done in accordance with Islamic law (shari'a), must be the same as the act of worship as worship. Where this differs from the conceptual framework of accounting that is currently applied in the West, which finds

justification in the dichotomy between business morality and personal morality (Lewis, 2010). That kind of thing is not accepted by Islam. The Islamic framework guides people through Divine revelation which governs all social, economic and political activities, and does not accept secularism as something different from religion. Islam has its own cohesive rules that dictate how business should be run and these rules can be applied at any time and in any culture. Therefore, accountability in Islam is an obligation that must be carried out as a form of accountability to stakeholders or the wider community. This is in accordance with one of the main objectives of Islamic accounting, namely to provide information that frees those involved in the company from their responsibilities to the public.

BIBLIOGRAPHY

- Askary, S. and Clarke, F. (1997). Accounting in the Koranic Verses, Proceedings of International Conference, 'The Vehicle for Exploring and Implementing Shariah Islami'ah in Accounting, Commerce and Finance'. University of Western Sydney: Macarthur.
- Bakar, NRA, & Tajuddin, TS (2014). Performance Management System in Non-profit Organization: A Case Study in Mosque Ar.
- Bastian, I. (2007). *Akuntansi untuk LSM dan partai politik*: Erlangga.
- Hamid, S., Craig, R. and Clarke, F. (1993). Religion: A Confounding Cultural Element in the International Harmonization of Accounting? *Abacus* 29 (2): 131-148.
- IAI, IAI (2010). PSAK 45, Revised 2010 Jakarta.
- Lewis, MK (2001). Islam and accounting. Paper presented at the Accounting Forum.
- Mohamed, IS, Ab Aziz, NH, Masrek, MN, & Daud, NM (2014). Mosque fund management: issues on accountability and internal controls. *Procedia-Social and Behavioral Sciences*, 145, 189-194.
- Mustafa, MA, Sallehhuddin, A., Samsudin, A., Shafee, NB, Mohamed, ZSS, & Masuod, MS (2016). Conceptual Framework on Incorporating Accounting Values in the Disclosure of the Sadaqah Fund Reporting Mosque. *Advanced Science Letters*, 22 (12), 4185-4189.
- Randa, F. (2011). Akuntabilitas Keuangan Dalam Organisasi Keagamaan (Studi Etnografi pada Sebuah Gereja Katolik di Tanah Toraja). *Jurnal Sistem Informasi Manajemen dan Akuntansi*, 9(2), 59-83.
- Said, J., Mohamed, A., Sanusi, ZM, & Yusuf, SNS (2013). Financial Management Practices in Religious Organizations: An Empirical Evidence of Mosque in Malaysia. *International Business Research*, 6 (7), 9.
- Simanjuntak, D. A., & Januars, Y. (2011). Akuntabilitas dan Pengelolaan Keuangan di Masjid. *Simposium Nasional Akuntansi XIV Aceh*.
- Sugiyono. (2012). Metode Penelitian Kuantitatif Kualitatif dan R&D. Bandung : Alfabeta.
- Tumiwa, K., Triyuwono, I., Ludigdo, U., & Rasmini, NK (2015). Faithful Reflection: The Church Accounting and Accountability Tritugas. *Scientific Research Journal*.