

Implementation of Shariah Accounting Theory in Shariah Value Added: A Theoretical Study*

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ABSTRACT

Objective – This article is aimed to give an understanding related to the concept of Shariah Value Added (SVA) according to the ideas of several Shariah accounting researchers.

Methodology/Technique – This research is written using a qualitative approach with the technique of literature study.

Findings – The result shows that nowadays they're still found several weaknesses in SVA related to the definition which could possibly emerge the return of capitalism through ethics utilitarianism, the distribution of welfare is still focused on limited stakeholders and the difficulties of its application. Therefore, it needs deeper learning to find the appropriate formulation of Shariah Value Added, due to the fact that there are still a few researchers who are interested in the theoretical study of Shariah Accounting.

Novelty – This article tries to give an understanding related to the concept of SVA from the theoretical study in order to be able to support the academicians to participate in deeper learning on SVA formulation which can be applied in a practical level but is still based on the Islamic values and shariah objective (maqasid al-Shari'ah 'ah).

Type of Paper: Conceptual

Keywords: Capitalist Economy; Islamic Theory; Islamic Value; Shariah Accounting; Shariah Enterprise Theory; Shariah Value Added

1. Introduction

Accounting is considered as a value-free science and practice. The fundamental of thought used is rationalism without having theological monotheism and moral dimensions. This causes the entire dimension of the accounting presentation of financial statements always reflect the needs and interests of stockholders in accordance with the philosophy of the capitalist economy. However, since the cases of financial scandal of major companies such as *World Com* and *Enron*, where it involved the role of accountants both companies that used accounting tricks to manipulate the company's financial statements, the essence of accounting began to be

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questioned (Nastiti, 2015). Moreover, generally the tricks used to manipulate the report had become a standard and legally justifiable based on the existing accounting standards, even though it contradicts morally and ethically.

Shariah accounting attempt to deconstruct the modern accounting in a humanist form to create business civilization with humanistic insights, emansipatoris, transcendental, and theological (Triyuwono and Gaffikin, 1996 in Triyuwono, 2006). Through shariah accounting, social reality will be designed and built through the value of monotheism and obedience to the power of Allah SWT. That is based on the perspective of *khalifatullah fil ard*, which means a way of thought with human self-conscious and the responsibilities in the hereafter to the Allah SWT.

The increasing of Islamic banking industry in Indonesia, also encourage the development of study to accommodate shariah accounting practices in the shariah entities. Based on data from Statistics Islamic Banking (Bank Indonesia, 2012) states that the number of Islamic Banks in 2006 amounted to 3 (three) banks with 349 offices. Meanwhile, until the end of 2012 the number of Islamic banks increases and has reached 11 (eleven) bank that stands by the number of offices that also experienced a significant increase than in 2006 reached 1745 Offices. It shows that the growth of Islamic banks in Indonesia is quite rapid. According to a survey that has been conducted and reported in the Global Islamic Finance Report (CIMB Islamic, 2012) Indonesia ranked the seventh in the development of Islamic banking in the world (Wardayati and Wulandari, 2014)

There is a fundamental difference between the concepts of conventional accounting and shariah accounting. At the theoretical dimension, one of the differences is seen in the emergence of the opinion that the concept of profit / loss as the basics of the income statement is not appropriate to report the income of companies, so it needs to be changed (Saputro, 2010). According to Saputro (2010), the concept of profit / loss is full of the capitalism values which oriented to the owner of capital, were manifested from the bottom line in the income statement that only reflects the private interests of companies but does not reflect the interests of stakeholders in general. So that, shariah accounting experts offer a concept value added to replace the concept of profit / loss. But the reality in its practice, shariah entities, especially Islamic banking, in arranging financial statements is still similar to the conventional banking practices (Saputro, 2010). Accounting practice and technology at the shariah business institution still adopt the philosophies, theories, and concepts of capitalist that are only concerned with profit (Mulawarman et al., 2006). So that, Mulawarman et al. (2006) formulated a concept of value added that is more appropriate for the Islamic entity (Shariah Value Added).

In its development, the concept of shariah value added is still on the theoretical level, where there are difficulties in the implementation. Therefore, it needs deeper learning to formulate the applicable concept of shariah value added and applied to shariah entity. This article tries to summarize some thoughts from sharia accounting experts to provide an understanding related to the concept of shariah value added. After having a good understanding related to the concept of shariah value added and various obstacles in its application, it can encourage academics to participate more studies in the formulation of the concept of shariah value added that can be applied in a practical level but is still based on the Islamic values and shariah objective (*maqasid al-Shari'ah*).

2. Literature Review

2.1 Shariah Accounting: Between Idealistic and Pragmatic

From the theoretical-practical approach, shariah accounting is divided into idealistic and pragmatic shariah accounting (Mulawarman, 2009). Idealistic shariah accounting construct theory and its form of technology based on pure Islamic values. While pragmatic shariah accounting prefers to adopt conventional accounting, from the basic theoretical concept and the technology, then it is adjusted to the Islamic values for practical convenience.

According to Mulawarman (2009), a pragmatic shariah accounting assumes that several conventional accounting concepts and theories that already exist can be used with some modifications to pragmatic interest. However, idealistic shariah accounting does not accept accommodation and adjustment of conventional accounting, but it tries to formulate the concept from the source of Islamic guidance directly. Mulawarman (2009) states that the philosophical foundation of conventional accounting is the representation of western world view which is capitalistic, secular and liberal, and is dominated by profit orientation. According to the idealist, the basic theoretical concept of accounting that is appropriate to the value and purpose of Shariah is Shariah Enterprise Theory.

2.2 Accounting Shariah Theory In Shariah Enterprise Theory

Shariah Enterprise Theory starts with the development of the concept of Enterprise Theory that contains the value of justice, truth, honesty, trust, and accountability. However, Enterprise Theory still overshadowed by the Agency Theory and the politicization of accounting (Slamet, 2001). Hence, the concept of Enterprise Theory needs to be internalized by the value of *Tauhid* in order to obtain legitimacy to incorporate the concept of ownership in Islam, the concept of zakat, the concept of justice *Illahi*, and the concept of accountability.

According Shariah Enterprise Theory (SET), Allah is the source of the trust principal and the resources that have been owned by stakeholders is a mandate from Allah that with the responsibility to use in accordance with the Allah guidance (Slamet, 2001). Triyuwono (2006) states that Shariah Enterprise Theory starts from the interest to free knowledge that always caught up in the material orientation into a knowledge that also consider non-material aspect (the spiritual aspect and Divinity values).

In the Shariah Enterprise Theory, the distribution of wealth or value added does not only given to the participants that have a direct contribution to the company's operations, but also other parties who are not directly related to the business of the company. It is based on the premise *khalifatullah fil Ardh* that brings the mission to create and distribute prosperity for all human beings and nature. It encourages Shariah Enterprise Theory to create the value of justice for the human and natural environment. Therefore, the Shariah Enterprise Theory will bring benefit to stockholders, stakeholders, communities and the natural environment without leaving the essential obligations that are giving charity as a manifestation of worship to Allah (Slamet, 2001).

3. Research Method

The research is done by using a qualitative interpretative method with literature or library study technique in the form of finding facts with precise interpretation. Literature study is an argumentation reasoning which explains the results of library study and the researchers' thought about certain problem or object of study. This article is compiled based on the concept of the opinions of shariah accounting experts in Indonesia, which is provided in books and journals, especially from Aji Dedi Mulawarman and Iwan Triyuwono.

4. Results and Discussion

4.1 Shariah Value Added Based On the Shariah Enterprise Theory

The consequences of the acceptance of Shariah Enterprise Theory as the basis for the development of the sharia accounting theory is the recognition of income in the form of value-added, not income in the meaning of the profit referred to the Entity Theory (Triyuwono, 2006). Therefore, the Shariah Value Added concept in line with Shariah Enterprise Theory has been formulated (Triyuwono, 2006). Triyuwono (2007) explains that shariah value added is the value added of economic, mental, and spiritual that is acquired, processed and distributed in *halal* ways. The concept of the definition of shariah value added according to Triyuwono (2007) can be seen in the image below:

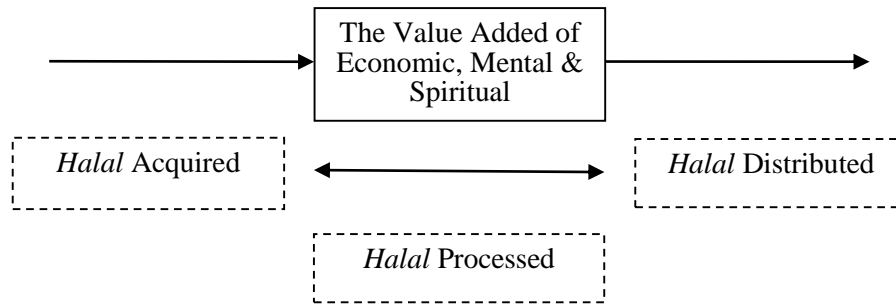


Figure 1. Shariah Value Added (Triyuwono, 2007)

Mulawarman (2006) formulates the concept of shariah value added derived from the *tamwil* (metaphor) on the concept of charity (*Zakat*). According to Mulawarman (2006), Shariah value added is value added (*zaka*) material (whether financial, social and environmental) which has been purified (*Tazkiyah*) from the beginning, the result until the distribution (*zakka*), and all those things must be *halal* and *Thoyib*. Thus, *Zakat* is a symbol of purification with balance and fairness value. In Mulawarman definition (2006), *Zakat* is understood as the concept of value (*zakat* metaphor) that is used as the basis for establishing shariah accounting.

In the theoretical study, the idea above has the consequence that the income statement is not relevant for shariah accounting. Therefore, Mulawarman and Triyuwono in Saputro (2010) suggest application of value added report as part of mandatory report in the accounting statements and replace the role of the income statement, because it is a consequence of the Shariah Enterprise Theory adoption as the basis for the development of shariah accounting theory.

4.2 Rizq (prosperity) As Based on Shariah Value Added

Mulawarman (2006) tried to develop shariah value added report, which consists qualitative and quantitative reports that are related to each other and *mandatory* (compulsory). Quantitative report records financial-social-environmental activity (creativity account) that are *halal-Thoyib*- free of *riba* (obedience account). The qualitative report is in form of notes that cannot be included in the quantitative report and also relate to inner-spiritual transaction. However Mulawarman (2009) found that the separation of the report when applied in the practice can provide opportunities for the company to just concern to the quantitative information and accountability. Thus, adjustments of the form of shariah value added reports are needed to make the inseparable unity of the report.

Mulawarman (2009) tried to formulate an idea about rizq concept as a basis for re-setting shariah value added. Mulawarman (2009) found that *Rizq* (sustenance) is a value-added from business activity (*Maisyah*) that has *blessings* obtained in accordance with shariah guidance for the human welfare (*mashlaha*). *Rizq* is a shariah value added that is obtained (whether financial, social and environmental) and purified / *Tazkiyah* (*halal*, *Thoyib* and *riba-free*) from the obtaining, the result until the distribution.

Mulawarman (2009) states that the substance of shariah value added as accounting concepts implicates to: First, the process of shariah value added must always be purified consistently, by doing an economic activity within the limits allowed syara' (*halal*) and *Thoyib*. Second, the growth of wealth, business mechanism and rizq acquired must be done in a good ways to eliminate the excessive and business activities must be free *of riba*. Third, the implications of rizq value-added distribution must be done optimally for the society welfare equally. The balance and justice is based on the Divine Justice that is social welfare through the *Tazkiyah* process. Shariah value added centered on the concept of *Tazkiyah*, that is a purification process

of rizq finding to get godness (*barokah*), both quantitatively and qualitatively, that called *Rizq Income* (Mulawarman, 2009).

The concept of shariah value added report based on Rizq that is presented by Mulawarman (2009), combine *mandatory* quantitative and compulsory qualitative report. The combination of quantitative and qualitative report is done to avoid pragmatic behavior of the company. The shariah value added Rizq-based that is formulated by Mulawarman (2009) can be seen in Table 1 below:

Table 1. Shariah Value Added Statement Based Rizq (Mulawarman, 2009)

Creation VA		Quantitative	Qualitative
Output	Submission	X1	Y1
	Creativity		
	Number of Output		
		X2	Y2
Input	Submission	X3	Y3
Revaluation	Creativity		
	Gross VA		
		X4	Y4
Tazkiyah (Za)			
Zakat payment to 8 asnaf (Zb)			
VA HALAL AND Thoyib (Zc)			
Distribution of VA		Quantitative	Qualitative
Internal			
Employee	Submission	X5	Y5
Owners	Creativity		
Reinvestment Funds	Creativity		
External			
Government	Submission	X6	Y6
	Creativity		
Residents	Submission		
Society	Creativity		

4.3 Critical Views to the Shariah Value Added Concept

Saputro and Triyuwono (2009) suppose that the similarity between income statement and value added report has influence to the emergence of inconsistency, which must be scrutinized to see whether the concept is really appropriate to the shariah concept or having fundamental weaknesses. Imposing a concept that has fundamental weaknesses will produce a counterproductive effect on shariah accounting development itself (Saputro and Triyuwono, 2009).

Saputro and Triyuwono (2009) stated their critical opinion related to the concept of shariah value added currently practiced. According to Saputro and Triyuwono (2009), some items that need to be corrected related to the concept of shariah value added are:

- The definition which could possibly emerge the return of capitalism
- The distribution of welfare is still focused on limited stakeholders
- The difficulty of its application.

4.3.1. Definition of Value Added: Chance to Capitalism Value Return

The understanding about definition of value-added contains latent potential to return capitalism value in the concept of value added through ethical utilitarianism (Triyuwono 2006). The

potential of utilitarian value that could arise from the definition of the value added concept is the perception that the company is considered good or true in activity when the results of these activities can provide benefits that is measured by the company's ability to generate profit and distribute their profit to stakeholder. Thus, high attention and caution are needed to avoid the return of the capitalism value through ethical utilitarianism.

4.3.2. Value Added: Welfare Distribution to the Limited Community

Seeing from the rights distribution as value-added concept orientation in the factors of the deduction of sales to create value added is actually contains the rights of stakeholders that are presented in the context as a cost not in the context of rights distribution (Saputro and Triyuwono, 2009). Saputro and Triyuwono (2009) argue that it was possibly caused by the presence of restrictions on the definition of value added, so that it affects the orientation. It has seen explicitly and implicitly from the value added element that contains certain *stakeholders* and the distribution element that contains other *stakeholders*.

4.3.3. Difficulties of SVA application

Mulawarman (2009) argues that value added (Gross VA) needs to be purified first with the Divine Values (Zakat) before being distributed to *stakeholders*. But the concept presented by Mulawarman (2009) has not yet appeared easily in *muamalah* practice. There is also a debate on the concept, where zakat is positioned as a deduction from the gross value added by *Tazkiyah reason*, so that zakat is calculated separately from the value added from the whole *muzakki's* wealth. However, according to Saputro and Triyuwono (2009), object for the zakat calculation in Fiqh is 2.5% of muzakki's asset (net income plus capital). Zakat measurement is not calculated from the value added, but it is calculated from the asset, which despite being losses, *zakat* has to be paid when the asset has reached *nishab*. The concept of profit as part of the zakat's object is different from the concept of value added.

Saputro and Triyuwono (2009) stated their concern that public and shariah accounting *users* will feel difficulties in *muamalah* practices, whereas religion should be simple as the promise of Allah SWT in QS *Al Baqarah: 185* & *Al-Hajj: 78*.

5. Conclusion

Development of shariah accounting should be based on idealist concept, where the construction is formulated from Islamic values that are sourced directly from the Quran and Al Hadith. For this reason, the theoretical concept of accounting that meet the shariah values and objectives is Shariah Enterprise Theory. The consequence of the use of Shariah Enterprise Theory as the basis for the development of accounting shariah theory is the recognition of income as a value-added, not income in terms of profit. Therefore, the concept of shariah value added is formulated, that is the value added of economic, mental, and spiritual that is acquired, processed and distributed in *halal* ways (Triyuwono, 2007).

Some shariah accounting experts try to develop the shariah value-added report. Mulawarman (2009) tried to formulate an idea of the concept of Rizq as a basis for determining the shariah value added. The concept states that *Rizq* (sustenance) is a value-added from business activity (*Maisyah*) that has blessed-value and obtained in accordance with shariah guidance for the human welfare (*mashlaha*). *Rizq* is shariah value added that is obtained (whether financial, social and environmental) and purified / *Tazkiyah* (*halal*, *Thoyib* and *riba-free*) from the acquisition, the result until the distribution.

In its development, Saputro and Triyuwono (2009) state critical opinion related to the concept of shariah value added currently practiced. According to Saputro and Triyuwono (2009), some items that need to be corrected related to the concept of shariah value added are: First, The definition of shariah value added still has a gap to bring back the values of capitalism. Secondly, in the concept of shariah value added, distribution of wealth is still reserved for a limited

community. Third, the concept of shariah value added has not yet appeared easily in *muamalah* practice.

Therefore, it needs deeper learning by researcher and academics in developing the concept of shariah value added that can be applied to the shariah entity, but is still based on Islamic values and the shariah objectives (*maqasid al-Shari'ah*). Due to the fact, that there are still few researchers interested in the theoretical study of Shariah Accounting. Although it is very important to avoid the use of pragmatic accounting, which tends to adapt the conventional accounting concepts and has a risk of returning capitalism through ethical utilitarianism.

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