



## **CONVENTIONAL ACCOUNTING VERSUS SHARIA ACCOUNTING: RECONCILIATION OF PERCEPTION TO ACHIEVE SPIRITUAL MEANING**

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### **Abstract**

This study was conducted to investigate how far the practice of sharia accounting that developed so far is different from current conventional accounting practice by referring to the desire to understand the reasons why the underlying stereotype of society still consider that accounting practices in sharia banking do not differ substantially with conventional banking. At the same time, doing a reconciliation of perceptions to minimize the perception gap towards the achievement of spiritual significance. This is done by involving the results of the analysis of the practitioners (managers of Islamic financial institutions), academics (lecturers and students), and the standard drafting board (DSAS). Husserl's transcendental phenomenology approach is used because the aim of the researcher is to explore the public view of sharia banking and sharia accounting in finding the difference between fact (reality) and essence (meaning) in fact (reality). The results of empirical research show that, firstly, the assessment of sharia banking practices in Indonesia is still far in the sense that not fully in accordance with Islamic Shari'ah is true. Secondly, the societal stereotype which considers that sharia accounting does not differ substantially with conventional accounting is true. Third, it turns out that the fundamental problem that causes the deviation of sharia practices from Islamic law is due to the factor of Human Resources (HR).

**Keywords:** Conventional Accounting, Sharia Accounting, Community Stereotype, Perceptual Reconciliation to Achieve Spiritual Meaning

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### **INTRODUCTION**

Accounting is an event that is not just static. However, accounting evolves with the evolutionary pattern of society. As it once happened, that is developing from the unification of religious aspect to the effort of separation of religion with economic problem, then finally change from religion to pure economy, and finally developed from pure economy to socio-economic [1].

There are a number of arguments put forward, why Shariah Accounting should be different from Conventional Accounting. Among them is due to the purpose factor. Where, whoever transacts in the Islamic way, it should be assumed that the aim is in order to obey Allah's command Subhanahu Wa ta'ala and at the same time get His pleasure. This is certainly very different from the usual goal of conventional accounting, which is usually only loaded with worldly values, but dried from ukhrawi values.

Accounting aspects are discussed because of several reasons, namely: First, accounting has been known as a means of communication (business language); Second, accounting is often debated whether it is neutral or not; Third, accounting is strongly influenced by the environment (political, economic, social, and cultural) in which it is developed; Fourth, accounting has a very important role, because what it produces, can be the source or basis of the legitimacy of an important and decisive decision. The reason raises the question, namely: *First*, what about the accounting that will be used by the Sharia Financial Institution?; *Second*, the extent to which sharia accounting is different from current accounting practices?

So based on the description above, then the formulation of the problem in this study, is: *First*, the reasons why the underlying stereotype of society still assume that Islamic banking is not different from conventional banking. *Second*, how the results of analysis from the academics and the standard compilers of community stereotypes that assume that sharia accounting does not differ substantially with conventional accounting.

Studying and applying Sharia Accounting, is essentially learning and applying the principle of balance of transactions or forecasts or accounts that have been recorded to be reported to those eligible to obtain the contents of the report. Islam is a balanced and coherent way of life designed for human happiness by creating harmony between the moral and material needs of human beings and the socio-economic actualization, and the brotherhood in human society. Triyuwono [2] states that Shari'ah Accounting is one of attempts to deconstruct modern accounting into humanist and value terms. In accordance with the human function as a khalifah on earth, then all efforts made by human beings must be able to respond to the needs of the community or should have a social orientation. Similarly our efforts to develop Shari'ah Accounting. Accounting should evolve by responding to the needs of the community. Furthermore Gilling [3] describes the accounting situation that essentially as follows: Accounting is a mechanical tool that is personally applied to business activities, accounting develops into a very important medium to reveal on important general facts about modern and complex societies in which we live. Accounting acts as a recording function by reporting information useful to owners and shareholders, investors caused by the separation of ownership with supervision no longer have

direct knowledge of the conditions and business activities. Accounting objectives no longer make clear accountability to the owner but let the company survive. On the other hand accounting has become a measuring tool of the company's profits that differ from social benefits. Meanwhile, people expect the company to act as coordinator in using human resources, materials and funds to produce goods and services and in distributing the results to donors. But unfortunately has not been developed to the method to report on the progress of the community and also not to produce results report on the results.

Islam through [4] has outlined that the concept of accounting that must be followed by the actors of transaction or accounting report maker is to emphasize the concept of accountability or accountability, as affirmed in the letter of Al-Baqarah verse 282. In addition, Shari'ah Accounting must be oriented social. Syari'ah accounting is not only a measuring instrument for translating economic phenomena in monetary measurement but as a method of explaining the economic phenomena in the Islamic society. Research conducted by [5] in his book *On Islamic Accounting* explained that capitalist accounting, the concept of Syari'ah Accounting, calculation of zakat and the case of Feisal Islamic Bank in Cairo and business practices in Saudi Arabia. Hayashi points out the fundamental difference between capitalist and Islamic accounting. Syari'ah accounting has a metarule that is Islamic law described by the Qur'an and Hadith [4] while capitalist accounting does not have it. Capitalist accounting depends only on the wishes of the user (user) so that it is local and situational.

## **METHODS**

This research uses descriptive qualitative approach with triangulation technique that begins with literature study, then find the phenomenon with conceptualized on Husserl transedental phenomenology aims to find the essential or essence (eidosis) of the phenomenon. In search of the essential begins from letting the phenomena speak for itself without being accompanied by presuppositionlessness. After that, a survey was conducted to explore the views (perceptions) of the community about syariah banking and sharia accounting to find the difference between fact (reality) and essence (meaning) in fact (reality). Empirical research is conducted by selecting informants that include practitioners (managers of financial institutions), the standard drafting board (DSAS) and academia (lecturers and students). The practitioners selected by the researchers are representatives of several macro-sharia commercial banks and several Sharia Micro Finance Institutions such as BPRS and BMT located in Jember and Banjarmasin.

## **FINDINGS AND ARGUMENT**

### **The Gap between Theory and Practice**

Transactions muamalah sharia between theory and practice often occur not synchronized [6]. A theory or model is structured as perfectly as possible in order to avoid the possibility of cheating. Unfortunately, the "perfection" of the compilation of this model was destroyed by the phenomenon of deviation of sharia theory in practice in the field. Differences in field conditions as well as human resource factors, suspected to be the cause. This lack of synchronization was also apparent in the implementation of the PSAK Syariah version of the financial report model published by IAI in 2011. The discrepancy between Shariah compliant standards and its implementation in banking is one of criticisms of Islamic thinkers / observers, especially PSAK number 100 concerning the Framework Basis of Preparation and Presentation of Financial Statements and number 101 concerning Presentation of Sharia Financial Statements. As a product of the thinking of a human who wants a "perfect" condition, the probability of a deviation between the standards and practices of the Islamic PSAK is inevitable. This was conveyed by Mr. A, a member of DSAS IAI East Java, as follows:

"Actually Sir, what happens to banking practices today, is much different from the standards we formulate. Some examples of deviations are evident from the practice of using projections to determine the magnitude of the time value of money, then on mudaraba transactions, when a third-party force majeure occurs, it should be borne by the banks, but in practice the entrepreneur remains as a third party who bore the loss. Whereas in the rules of PSAK Syariah, it is not allowed".

We as an external party from the community of drafting model of PSAK syariah financial statements, will provide justification that the blame is the Islamic financial institutions that do not implement the established standard. Communities have assumed that the non-performance of PSAK Syariah due to human resource factor that is not aware (concern) with the standard can be implemented in accordance with the theory. Although a standard has been compiled as perfectly as possible, but when human resources, especially institutional leaders do not have adequate syariah competence, or have not been able to internalize sharia in their mindset, there must still be a gap to return to conventional practice.

The last factor contributing to the successful implementation of the standards is the community as consumers of financial statements prepared by Islamic financial institutions. Indirectly, this community acts as an observer of the conformity between substance standard with sharia system and assess the conformity of practice with

syariah standards. This is what is happening today, where start emerging syariah thinkers and practitioners who criticize both sharia standard PSAK launched by IAI as well as criticism of the gap between standard and practice of sharia.

The statement was supported by the Observer of Sharia Economics of Airlangga University, Dr. Irham Zaki, S.Ag., MEI, who argue that in general the level of understanding of how the business mechanisms in terms of sharing, characteristics, products and services, as well as the syariah bank contracts are still considered low. He added, still the minimum understanding of the concept of sharia among Indonesian society is very ironic, because the majority of people embrace Islam.

In extracting information about the gap between the theory and practice of PSAK Syariah, besides using informants of the standard compiler, the researcher also involves the practitioner, namely Mr. M a practitioner who served as Director of Bank Mega Syariah Branch Banjarmasin for the last 8 years where previously he served as Director of Bank conventional BCA for nearly 10 years became the first informant. Responding to the phenomenon of the gap between the theory and practice of PSAK syariah, he explained that: "When I was appointed Director of Bank Mega Syariah, I was asked by the President at that time, about what the purpose of this institution when I was appointed as new director. What is profit oriented, social or what? Yes I answered profit oriented, because kalo social ya not the way ". But different opinion with Mrs. R as Chairman of Bank Syariah Mandiri Jember Cash Office that argue that: "Shariah yes should be interpreted not just profit oriented, but also falah oriented. It aims for prosperity in the world and happiness in the afterlife ".

Analyzing from the exposure of Mr. M above, the researcher can conclude that there is no substantial difference between sharia and conventional system in running sharia financial institution. The most important thing according to him is how the institution can go concern with high profit. A "forced" sharia system inserted into a more settled conventional system will not create a holistic change. Sharia is not only interpreted by simply avoiding usury or sharia not only by implementing the results, but more fundamental than that. Differences in conceptual framework (framework) become the basis that distinguishes between the two.

From a piece of explanation of Mr. M above, it becomes true what is delivered by Mr. A that the implementation of the issue of sharia lies in violating the provisions of those standards. Once again, the statement is still alleged until the researcher asks questions about the compatibility between theory and practice. When a leader is only profit-oriented, it is certain that the operational mechanism of the institution he leads becomes capitalist. Mr. A reinforces his statement with "even though we have made the standard perfectly, but if the focus of practitioners is only on profit oriented, there must be an anomaly between standard and practice". Therefore, there is always a loophole to return to conventional systems for profit-hunting, when the perpetrators are still unable to understand and internalize sharia holistically. Another reason why sharia accounting still can not be separated completely from the conventional system, expressed by Antonio [7] which states that the birth of the conventional system first, making this system more "settle" compared with sharia. While the sharia system that was initiated in the 1940s marked by the founding of Myt-Ghamr Bank in Egypt, is still in the process of continuous improvement. At the level of the concept, there have been many new ideas in the field of sharia that contribute to the refinement of sharia standards in accounting, such as Baydoun and Willett, Ross Hanifa, Sofyan Syafri Harahap, Syafii Antonio, Yuslam Fauzi, Ahmad Marjuki, Adityawarman Karim, Iwan Triyuwono and Aji Dedi Mulawarman.

Conventional accounting practices in Indonesia can be traced back to the Dutch colonial era around 1642 [8],[9]. Clear traces of conventional accounting practices in Indonesia can be found in 1747. In this era, the Netherlands introduced a double-entry bookkeeping system developed by Luca Pacioli. The existence of conventional accounting system that is considered more "settle", does not mean then the accounting of sharia as a newcomer must follow the conventional system, as presented by Mr. A in an interview with researchers. He said that "Sharia Accounting can not just be entered by conventional system, because there are some things that are prohibited by Islam related to conventional principles such as interest and Time Value of Money". Conventional accounting is born with its capitalist system. The emergence of sharia accounting, is expected to be a solution to conventional systems that until now is still considered there are many shortcomings.

The emergence of injustices in the rotation of economic systems loaded with human exploitation, oppression and destruction of nature into side effects on the implementation of conventional accounting system. Another practitioner is the manager of Sharia Micro Finance Institutions (LKMS) in one of BMT in Banjarmasin, the researcher tries to explore sharia practices within the institution. From the exposure of the manager, according to his assessment of sharia practices that have been executed in accordance with the principles of sharia. Similarly, from the assessment of the researcher that there is no problem with the practice of sharia within the BMT, but there are other things that he disclosed related difficulties in terms of preparation of financial statements. The lack of skill (skill) that BMT managers have about the preparation of financial statements has made the model of financial statements he prepared not informative.

When the researcher asked about Shariah PSAK standards especially number 101 on Presentation of Sharia Financial Statements, the manager directly conveyed that the preparation of his financial statements was not prepared in accordance with the guidelines. The reasons expressed are the lack of skills to understand and apply the PSAK Syariah no 101. Apparently this condition is not only experienced by BMT selected researchers as the informant, but based on his information as a practitioner who often coordinate with all BMTs as Banjarmasin said that none of their financial statements are prepared as PSAK Syariah 101. For those standards is not implementation because it does not suit the needs. In contrast to the above BMT practitioners, Mr. K, which revealed that PSAK is a non-implementation standard because it does not meet the needs of LKMS which tend to be simpler compared to Sharia Commercial Bank.

The first thing he delivered was "Sharia Public Bank is not sharia". Looking back at his career that has explored the atmosphere of conventional banking, the phrase becomes accurate information. The two main things he highlighted were the issue of loss sharing which in fact kept forcing customers to pay a minimum of payback even though due to a force majeure and income recognition and still used the financial projection for the terms of the loan application. According to him, sharia banks still use profit oriented mindset as their main goal. This statement is in line with that delivered by Mr. B above that when he served as the head of one of the branches of sharia banks, the achievement of profit as much as possible remains the main goal, not profit and falah as required by sharia.

Meanwhile, academic opinion was included. One of Mr. R's lecturers stated that "Regardless of the pros and cons developing in the community, I consider Sharia Banks are somehow still more syariah compared to Conventional Banks". While other sharia accounting lecturer Mother M said that "In formulating sharia accounting, Sharia should be entered into accounting, not otherwise accounting that enter sharia". Shariah-shari'ah non-shari'a is now happening is due to accounting entering sharia, so the concept of shari'a is "forced" to follow the conventional accounting that has been stuck in the minds of the wider community. Another lecturer with background from the development economics, in a light discussion, he justified the assessment that sharia banking is not sharia. Only the name is sharia, but the practice can not be separated from the influence of sharia. The use of the lowest amounts that compel customers to pay off loan funds even in the event of a loss due to unintention, has made the sharia banking scheme farther from the actual concept of sharia. Still on academic informants, researchers also hunted information about the deviation of sharia banking practices and sharia accounting from the concept of sharia holistic. Some students of Accounting Department of Politeknik Negeri Banjarmasin, became the target of informants. There are some students who have criticized the Islamic PSAK from 101-106 in terms of its disbursement. Do not stop there, graduate student of University of Lambung Mangkurat who is currently writing Thesis trying to continue the critical effort on PSAK Syariah from different analysis side. A remarkable contribution to making sharia banking practices and sharia accounting in accordance with Islamic Shari'a.

### **Reconciliation of Perception to Achieve Spiritual Meaning**

Harahap in his book entitled Accounting, Supervision and Management in the Perspective of Islam, looking from the point of Islamic values that exist in the concept of capitalist accounting. From the analysis of the principles and characteristics of accounting it is argued that many accounting principles are in accordance with Islamic concepts, such as the principle of substance over form, reliability, objectivity, timeline and so on. Further in accordance with the development of capitalist accounting many experience pruning aspects that are not in accordance with local conditions, so he believes the concept of capitalist accounting today will go to the rhythm of Sharia Accounting.

In the view of Triyuwono ([2],[10]) that social-oriented Shariah Accounting is one attempt to deconstruct modern accounting into a humanist and full of value. The goal is to create a business civilization with humanist, emancipatory, transcendental and teleological insights. The ontological consequence of this is that accountants must critically be able to free human beings from the tangible bond of reality and their networks of power, to then provide or create an alternative reality with a set of divine power networks that bind humans in everyday life. Shari'ah accounting is socially oriented accounting. This means that accounting is not only a tool to translate economic phenomena in the form of monetary measures but also as a method of explaining how the economic phenomenon goes in Islamic society. Shari'ah accounting includes an unusual issue thought out by conventional accounting. Human behavior is judged on the Day of Resurrection. Accounting should be regarded as one of the derivation / reckoning of advocating good and forbidding what is bad.

Therefore perceptual reconciliation is necessary to achieve a spiritual meaning. The spiritual meaning in question is a spirituality that is capable of transforming everything into a state of consciousness. Where, the whole essence of the work of spirituality is that it alters consciousness and produces changes in everything and form. Everything is a form of consciousness or energy manifested. The concept of this realization of spiritual



consciousness is the descent of high-level spiritual ideas into a touchable and harsh physical form. Physical form that can be reached by the human senses devices. Researchers believe that the important point of all spirituality is the perfect way of worship, based on love. Not because they want a profit or a fear. This is the way to grasp the profound facts about the meaning of spirituality when compared to that seen from its outer form.

## CONCLUSION

From the results of empirical research above, can be summarized into three conclusions, namely: *Firstly*, the assessment of Islamic banking practices in Indonesia is still far from Islamic Shari'ah is true even though not completely true. True because it has been through empirical evidence with observation to the LKS and from the recognition of the perpetrator (manager of sharia banking). *Secondly*, the stereotype of society which assumes that sharia accounting does not differ substantially with conventional accounting is true. Evident from the results of research on the criticism of PSAK syariah conducted by the academics both lecturers and students. *Thirdly*, from the results of empirical research above, it turns out the fundamental problems that cause deviation of sharia practices from Islamic law is due to the HR factor. Their lack of understanding and unwillingness to understand shari'a holistically make sharia practice judged as a result of duplication from conventional accounting.

From the findings of facts in the field, the researchers offer a form of perceptual reconciliation to achieve the spiritual meaning. The spiritual meaning in question is a spirituality that is capable of transforming everything into a state of consciousness. Where, the whole essence of the work of spirituality is that it alters consciousness and produces changes in everything and form. Everything is a form of consciousness or energy manifested. The concept of this realization of spiritual consciousness is the descent of high-level spiritual ideas into a touchable and harsh physical form. Physical form that can be reached by the human senses devices. Researchers believe that the important point of all spirituality is the perfect way of worship, based on love. Not because they want a profit or a fear. This is the way to grasp the profound facts about the meaning of spirituality when compared to that seen from its outer form. Challenges seem to be heavier if you notice the fact that humans are weak creatures. While the wheel of the age is so strong and encouraging to place religious affairs (spirituality) as a secondary need. Very little space and time is given to man in general to reflect more deeply that he is a religious God. And actually it only has one duty, ie worship. To anyone who realizes the essential meaning of the position of a servant, there is no other way but to obey all of His commands.

Allah says "And I am your Lord, worship Me" (Surat al-An Biya 21: 25), "This is a reward for you for your grateful endeavor" (Surat al-Insan 76:22 ). In short, whoever is obedient, he is the one who is lucky, happy forever. But who will not obey, the loss and the woe because the time has passed can not be called back. Attachment makes no more excuses, let alone suppose to find excuses and evidence to break the attachment of the heart to his creator. To that end, keeping the commandments and departing from His prohibitions is a fact to be pursued with conviction. Everything is lived with the cleanliness of the conscience and clarity of reason.

What then should a man do so eager to follow in the spiritual path and focus on God? The answer is simple: every human can adjust according to his spiritual energy level. People who have high preparation can directly travel the perfect region (al-walayah al-kamilah). People with lower levels of preparation can take a lighter and less complicated path. And the person whose spiritual condition is inferior, he can walk the way according to his ability.

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