**JOURNAL OF ACCOUNTING JEKAMI**
*e*- ISSN: 3021-7407
Volume 4 Number 1 January 2024

# Enhancing Accountability through the Application of Sharia Accounting Principles: A Case Study of Baznas Makassar City

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**Article Info**

Sharia Accounting, Accountability, and Financial Reports

**Abstract**

This research aims to explore Sharia Accounting Principles in Maintaining Accountability of Financial Reports in Baznas Makassar City. The research method used is qualitative with data collection through interviews and documentation. The research results show that Sharia Accounting Principles have been effectively implemented in Baznas Makassar City, starting from planning activities and budgets, collecting and receiving zakat funds to distributing and utilizing zakat funds for mustahik. From all these activities, Makassar City Baznas makes financial reports in accordance with PSAK NO. 109 as a form of accountability and updating audited financial reports to the Makassar City Baznas Official Website as a form of information transparency to interested parties. This research reveals that the management of Makassar City Baznas has carried out its duties and functions well as the Amil Zakat Agency which collects and distributes zakat, infaq and alms funds nationally in accordance with Law no. 23 of 2011. However, the Makassar City Baznas financial report does not fully refer to PSAK 109, because there is still one component of the financial report that has not been reported, namely the Changes in Asset Management report. Therefore, the research recommends that the Makassar City Baznas financial report fully refers to PSAK No. 109 in the future and carry out audit checks not only by internal auditors but also by independent auditors to increase the transparency of their financial reports.

## 1. Introduction

Indonesia, as one of the largest Islamic nations globally, exhibits a predominantly Muslim demographic and cultural landscape. Statistical data from the National Central Statistics Agency (BPS) in 2020 reveals that approximately 86.3% of Indonesia's population adheres to Islam (National BPS Data, 2020). This religious affiliation deeply embeds the obligation of zakat, infaq, and alms within the fabric of Indonesian Muslim society. Despite this cultural prevalence, the National Zakat Amil Agency (BAZNAS) highlights a significant disparity in the actualization of zakat potential, with only around one percent of IDR 217 trillion effectively absorbed and managed by zakat amil institutions (Siptiaprawira, et al, 2015), indicating a pervasive lack of trust in zakat managers among muzakki.

Islamic teachings significantly influence the conduct of Muslim communities, extending to their business practices. With a substantial Muslim populace, Indonesians prioritize adherence to halal and haram principles, aligning their actions with the tenets of Allah SWT as conveyed through the Quran and hadith. These Islamic scriptures serve as guiding principles for worldly conduct, emphasizing ethical financial transactions and prohibiting usury.

Sharia principles advocate for ethical business practices, with Islamic accounting emphasizing disclosure over mere measurement, reflecting a broader commitment to accountability and transparency. The implementation of sharia principles in financial institutions necessitates robust supervision, often facilitated through established guidelines governing transactional conduct. Sharia accounting principles, governed by the Statement of Financial Accounting Standards (PSAK), underscore the accountability of financial reports in Sharia-compliant entities. These principles, aligned with Islamic law, mandate the structured recognition, measurement, presentation, and disclosure of zakat transactions to ensure compliance and transparency.

Zakat accounting serves as a mechanism to demonstrate organizational adherence to Islamic principles, providing crucial information on receipts and expenditures sanctioned by Sharia. By facilitating information dissemination and management control, zakat accounting serves as a vital tool for accountability between zakat management institutions and stakeholders. Hence, scholars are motivated to investigate the "Application of Sharia Accounting Principles in Maintaining Accountability of Financial Reports at Baznas Makassar City."

## 2. Literature Review

### 2.1 National Zakat Amil Agency (Baznas)

Baznas (National Amil Zakat Agency) is the official and only body formed by the government based on Presidential Decree No. 8 of 2001 which has the task and function of collecting and distributing zakat, infaq and alms (ZIS) at the national level.

One of the concepts that has been implemented by zakat amil institutions in general is what is usually called "productive zakat". The main idea is to help the poor by not giving "fish" but with "hooks". If zakat is given solely for consumption then the assistance is temporary. However, if it is given to help the person concerned with production or business, then the assistance will really help the person concerned to get out of the poverty line (Jamal, 2004).

With the emergence of such an idea, there are several patterns for distributing zakat funds:

1. Zakat is given directly to the poor for consumptive purposes. In the current context of change, this part of zakat is directed primarily at "the destitute" (miserable poor) whose nature is "relief" and the impact is short term (Wira, 2019).
2. Zakat is given to those involved in educational and da'wah activities, whose standard of living is lacking. Some funds are zakat and other funds (alms, infaq and waqf) for education or Islamic da'wah.

4 Zakat is an Islamic instrument used for the distribution of income and wealth.

The existence of zakat fitrah, zakat mal and professional zakat is expected to reduce the level of wealth inequality in Indonesia, apart from that, zakat can also be relied on as a mechanism for overcoming the problem of poverty that occurs in Indonesia, through productive zakat programs (Khatimah, 2004).

## 4 Research Methods

The research method used in this research is a descriptive method with qualitative data analysis, which aims to describe and describe the current state of the research object based on visible facts or as they really are. This research focuses on sharia accounting principles in maintaining accountability in the presentation of financial reports. Descriptive research is carried out to determine the value of independent variables without making comparisons or connecting one variable with another. Qualitative research methods, based on postpositivism philosophy, are used to examine the condition of natural objects.

This research focus is important in limiting the study and directing the implementation of observations. The focus is on the process of implementing sharia accounting principles, such as responsibility, justice, truth, piety (tawhid), and honesty, in maintaining accountability in financial reports. The research location was carried out at the Makassar City National Amil Zakat Agency (Baznas) office in the period 15 June 2023 to 15 July 2023.

Data sources consist of primary data and secondary data. Primary data was obtained through interviews with sources such as the head of operations, head of financing, and Baznas employees involved in the transaction process. Secondary data was obtained from supporting documents, such as Baznas financial reports. Data collection techniques involve field research which includes documentation, direct observation of financial reporting and financial information systems at Baznas, and interviews with department heads and employees.

Apart from that, library research is also carried out using literature such as books, scientific papers and research reports that are relevant to the research problem. Research instruments mainly involve researchers as the main tool. In interviews, researchers used a list of questions, stationery, and cellphones for documentation.

Data analysis techniques are carried out descriptively to explain, manage and interpret research results. Data is processed through collection, reduction, presentation and drawing conclusions. The results of data analysis are used to draw conclusions regarding the application of sharia accounting principles in maintaining accountability of financial reports at Baznas Makassar City.

## 4 Results and Discussion

### 4.1 Duties and Functions of the Makassar City National Zakat Amil Agency (BAZNAS)

The Makassar City National Zakat Amil Agency (BAZNAS) is tasked with the primary responsibility of managing zakat, encompassing the collection, distribution, and utilization of zakat funds within Makassar City. This mandate is governed by BAZNAS Regulation Number 3 of 2014 CHAPTER III Article 28. Additionally, BAZNAS Makassar City's functions, outlined in the same article, encompass planning, implementation, control, reporting, and ensuring accountability in zakat management. An ancillary function involves providing recommendations for the permit process concerning the establishment of a provincial level Amil Zakat Institution (LAZ) representative in Makassar City.

The determination of BAZNAS Makassar City's duties and functions is grounded in the Annual Work Plan and Budget (RKAT), aligning with pertinent regulations. Organized under the leadership of a Chairman and four Deputy Chairmen, the Makassar City BAZNAS operates with structured leadership, with each member overseeing specific fields in line with their designated responsibilities.

### 4.2 Management of Zakat and Infaq/Alms BAZNAS Makassar City

Zakat management at BAZNAS Makassar City adheres to Law Number 23 of 2011 concerning Zakat Management, recognizing two distinct types of zakat management entities in Indonesia: the Amil Zakat Agency (BAZ) and the Amil Zakat Institution (LAZ). Functioning as the National Zakat Amil Agency, BAZNAS Makassar City is entrusted with planning, implementing, controlling, reporting, and ensuring accountability in zakat management at the national level. The organizational structure of BAZNAS Makassar City comprises various sectors, including Collection, Distribution and Utilization, Financial Planning and Reporting, Administration, HR, General Sectors, and an Internal Audit Unit. Each sector is tasked with specific responsibilities according to their designated functions.

Zakat collection at BAZNAS Makassar City occurs through two channels: individual and corporate zakat collection, encompassing professional zakat, wealth zakat, and fitrah zakat. Subsequently, zakat distribution targets eight designated asnaf, including the needy, poor, zakat amil, converts, among others. Moreover, zakat utilization spans five key areas: religious, economic, educational, social, and health. Professional administration ensures the proficient management of zakat collection, distribution, and utilization, upholding accountability standards. The evaluation of zakat management's implementation at Makassar City BAZNAS is facilitated through financial reports and performance accountability reports. Compliance with sharia accounting principles, which prioritize responsibility, justice, truth, piety (tauhid), and honesty, underscores the organization's commitment to transparency and adherence to Islamic principles.

## 5. Closing

### 5.1 Conclusion

Based on the results of the research and the author's discussion in the previous chapter, the author concludes that the Makassar City BAZNAS management has carried out its duties and functions as a Zakat Amil Agency which collects zakat, infaq and alms funds nationally very well and maximally as regulated by Law No. .23 of 2011.

After conducting research for the financial reporting of BAZNAS Makassar City, it does not fully refer to PSAK 109, because there is still one component of the financial report that has not been reported, namely the Change in Assets Management report, while the other financial reports have been reported by BAZNAS Makassar City.

### 5.2 Suggestions

Based on the results of the researcher's observations in the field, the researcher provides the following suggestions:

1. In preparing the Makassar City BAZNAS financial report, the Changes in Management Assets report will also be reported in the future, so that the Makassar City BAZNAS financial report fully refers to PSAK No. 109.
2. In the future, BAZNAS Makassar City should carry out auditing checks not only by internal auditors but also by independent auditors as a principle of financial report transparency.

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