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Values of Islamic Accounting Philosophy and Application to Micro, Small and Medium Enterprises in Digital Economy

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ABSTRACT

In Surah al Baqarah verse 282, it has been explained that the recording as main emphasis for the purpose of certainty, believe, openness, and a justice between two parties who have a relationship of muammalah with accountability. The purpose of sharia accounting is for realizing a main love to Allah swt by carrying out creativity, within the organization submission and accountability for transactions, production processes and economic events. The delivery of which information is material, ritual and spiritual, according to values of Islam and objectives sharia. In general, the objectives of sharia accounting include: (1) helping to achieve socio-economic justice (Al Falah) and (2) fully recognizing obligations to God, society, individuals with respect to involve in economic activities, namely owner, accountant, manager, auditor, government, etc, as a worship form. The purpose of writing this article is to find out Islamic accounting values and their application to MSMEs in the digital economy.

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A. INTRODUCTION

Surah al-Baqarah verse 282 the term accounting is better known as accountability. This is the longest verse in the Qur'an, scholars know it as the verse of al-Mudayyana (debt verse). This verse explains the recommendation to write debts and testify before a trusted third party (notary), by emphasizing the need to write debts, even if small, accompanied by the amount and time. The principles of muamalah which include buying and selling, debt and rent which are a manifestation of the existence of accounting. From the explanation that has been explained in this paragraph that there has been an order as implementation of recording system which a main emphasis is on objectives of truthfulness, certainty, openness and justice between two parties who has a muammalah relationship.

The current of digital economy has shifted people's transaction behavior from the physical economy to the virtual economy, thus changing the preferences of business actors and consumers to choose online means. Changes in transaction patterns should also be followed by MSME actors in order to survive and be able to develop in the face of this 'New Normal' era. The results of a survey conducted by the Boston Consulting Group (BCG) found an increase in consumer preferences for buying products through digital channels when comparing the previous period. From a survey conducted by LIPI (2020), MSMEs whose sales method only utilizes offline sales are the ones that experienced a decline in sales of more than 75%, which was 47.44%.

In the digital economy, almost all the information and knowledge needed to open a new business can be accessed via the internet to get information. To learn how to start a business is also available online. Provision of capital can also be accessed online, marketing can also be done online. MSMEs must be the main players in the development of this digital economy. However, the development of MSMEs and the digitalization of the economy are not matched by the use of accounting as a tool in financial reporting and presentation in the MSME business.

MSMEs in Indonesia to support the national economy. Because these MSMEs have a role in distributing the results of development and can absorb labor very well and contribute 50% to Indonesia's GDP for 3 years. This is proof that MSMEs can improve the economy of the Indonesian people. In economic development in Indonesia, in addition to MSMEs, there are SMEs (Small and Medium Enterprises). Basically, MSME has an opportunity to get credit for additional capital. Nowadays, there are many programs of financing for MSMEs that run by government and banks. One of the Indonesian

government programs related to MSME financial is Kredit Usaha Rakyat (KUR) (Basri and Nugroho, 2009).

So far, MSMEs have a role that is recognized by various parties as quite large in the national economy. Some of the strategic roles of MSMEs according to Bank Indonesia (2013) in Supriono, et al (2017) include, first, they are large in number and are found in every economic sector. Second, absorb a lot of labor and every investment creates more job opportunities. Third, have the ability to utilize local materials and produce the goods and services needed.

Most MSMEs actors have not applied accounting practices well in managing their business, because managing their business is based on non-accounting information and by observing the market situation. MSMEs actors have not realized the importance of accounting information or financial systems in terms of financial records and bookkeeping in doing business.

The target market for MSMEs is generally local, although some export their products abroad and have a small number of employees, total assets, and infrastructure. MSMEs consist of various types of businesses, such as manufacturing companies, trading companies, and service companies.

SMEs in Indonesia actually have great business potential in addition to being feasible and sustainable. Unfortunately, MSME actors are generally less aware and do not consider the important role of recording and bookkeeping in their business, compared to their activities in directly handling production and sales/marketing businesses.

B. THEORITICAL REVIEW

1. Micro, Small, and Medium Enterprises

Based on Law no. 20 of 2008, Micro, Small, and Medium Enterprises have been defined based on net worth and annual sales results as:

Table 1 Definition of MSME

Business Size	Net worth	Annual Sales Results
Micro	Maximum IDR 50 million	Maximum IDR 300 million
Small	> IDR 50 million up to IDR 500 million	> IDR 300 million up to IDR 2.5 billion
Intermediate	> IDR 500 million up to IDR 10 billion	> IDR 2.5 billion up to IDR 500 billion

Referring to this definition, shows that in 2018, the total MSME actors were 64,199,606 business units or 99.99% of the total business

actors. Terms of labor absorption, MSMEs absorb 116,978,631 people or 97% of the total workforce in Indonesia. Meanwhile, based on their contribution to the economy (GDP at constant prices), MSMEs in Indonesia accounted for 57.24% of the total GDP in Indonesia. These data prove that the MSME segment in Indonesia has an important and strategic role in economic development.

1. According to the Badan Pusat Statistik, the business criteria are:
 - a. Micro Enterprises, have 1-4 workers.
 - b. Small Business, has 5-19 workers.
 - c. Medium Enterprises, has 20-99 workers.
 - d. Big Business, has more than 99 workers.
2. Accounting for SMEs

There are so many parties who need financial information to use in making economic decisions. The more advanced civilization and economic activities are, the more important the information is. Financial information is one of them produced through accounting. In the information age, the role of accounting as a tool in making economic and financial decisions in a business is increasingly needed. Accounting as a system of measurement and recording in the management of economic resources (wealth) that will produce financial information. The company's financial information is addressed to various parties with an interest in the company (stakeholders) to assist them in making decisions related to the company).

In 2009, DSAK (Financial Accounting Standards Board) has ratified SAK ETAP. It is effective on January 1st 2011, but the application before up dated is allowed. The system has aims to able to accommodate micro small enterprises, and to help create standard of accounting that can be used by MSMEs, those are more concise and easier to use the General SAK (Rudiantoro, and Siregar, 2011). The most important thing from the implementation of standard system of accounting is a good will for the SAK ETAP by the MSMEs (IAI, 2014).

Suhairi (2004) argues that the weakness of MSMEs in preparing financial reports is due to low education, lack of understanding of Financial Accounting Standards (SAK), and training in preparing financial reports. Satyo (2005) argues that the low level of financial statement preparation is due to the absence of regulations requiring the preparation of financial reports for SMEs. Financial accounting standards that are used as guidelines in the preparation of financial statements must be applied consistently.

The Indonesian Institute of Accountants (IAI), in an effort to keep up with the development of the global economy, which places MSMEs in an important position, then made a special accounting standard for MSMEs, Small and Medium Entities (SAK EMKM). It regulates the financial statements that MSMEs need to submit, using the basic assumptions of accruals and business continuity that must be relevant, complete, understandable, and comparative. In SAK EMKM, MSMEs are aligned with business entities in general (large companies). Indeed, MSMEs are actually not much different from large companies, because both are trying to make a profit for their business. MSMEs as business entities are the same as companies in general, then there are three financial statements that must be submitted, namely: balance sheet, a report profit or loss and notes to financial statements. Each of these reports has a function and explains different things about the reported business, as follows:

Financial statements are useful for bankers, creditors, owners and interested parties in analyzing and interpreting the financial performance and condition of the company (Indonesian Accounting Association, 2016). Financial statements are the result of the accounting process that provides financial information of a company that is useful for interested parties in making economic decisions. Financial Statements consist of five types, namely Profit/Loss Statements, Balance Sheet, Changes in Capital, Cash Flows, and Notes to Financial Statements. (Isnawan:2012:60).

The purpose of financial statements in general according to Irham (2012:24):

1. To provide information to parties in need about the condition of a company from the point of view of figures in monetary units.
2. Provide information that is useful to business and economic decision makers by existing and professional investors, creditors, management, governments and other users.
3. Presenting information related to position of financial, changes and performance in which is useful for economic decision making for users.
4. Presenting information related to financial position, performance of changes in equity, cash flow and other information.

2. Preparation of Financial Statements is based on SAK EMKM

Recognition of financial statement elements is the process of forming an item in the financial statement or income statement that meets the following criteria:

1. The economic benefits associated with items of assets, liabilities, income and expenses can be ascertained to flow into or out of the entity.
2. The items have measurable and reliable costs. Disclosure is required when compliance with certain requirements in SAK EMKM is not sufficient for users to understand the effect of transactions, other events and conditions on the entity's financial position and performance.

Notes to the financial statements are provided an explanation of the financial statements that have been made. Usually it will include: a statement of conformity with SAK EMKM, an overview of accounting policies and additional information. With the notes on the financial statements, the readers of financial statements will be easier to understand.

Financial statements are addressed to various interested parties in a business. It is intended to assist them in making economic decisions related to the business. Based on these financial statements, users can assess the financial condition of the business, the success of the business in achieving its goals, and business prospects in the future. future. Financial statements are a form of financial steadwarship made by wealth managers (management) to wealth owners (company owners and creditors) and other interested parties. Various parties have an interest in financial statements, including owners, creditors/banks, investors, the government, and employees.

C. METHOD

This research is literature, including the type of library research. The data collection is done by collecting data from various literatures. The literature studied is not limited to books but also in the form of documentation materials, magazines, journals, and newspapers. The emphasis in this research is to find various theories, laws, propositions, principles, opinions, ideas and others that can be used to analyze and solve the problems studied. The approach used in this research is a qualitative descriptive approach, namely by emphasizing the analysis on the comparison inference process and on the analysis of the dynamics of the observed phenomena relationship using scientific logic. The data analysis technique used in this study is content analysis which the form of theoretical and empirical text books, legal and policy documents as well as research results.

D. DISCUSSION

1. Values of Islamic Accounting Philosophy

a. Sharia Accounting Philosophy

In this basic philosophical element, the source of the truth of sharia accounting values is from Allah SWT in accordance with the monotheism that is embraced by Islam. It is Allah who is the source of truth, the guide of life and the source of guidance that will guide us everyday in all aspects of our lives. As emphasized by Prof. Dr. Umar Abdullah Zaid that in Accounting is understood by many people, it only covers issues of trade, industry, finance, management, agriculture, government and others. But again, one of the important elements of the philosophy of Islamic accounting is the reflection on the results that have been achieved by the role of humans in the caliphate on earth. Behind the long recording of transactions starting from the register of yaumiyah or general journals to issuing a financial report which will then be an important consideration for stakeholders. All spiritual philosophies of Islamic accounting start from the clarity of faith that able to ignite reason. The collaboration of the two plus. The passion of conscience and the sharpness of the eyes of the heart, as a whole gives birth to people who are not neglected by buying and selling from their Lord, Who is All-Hearing, All-Knowing.

Umer Chapra explained that truth and justice in measuring (measuring), also involves measuring wealth, debt, capital income, costs, and company profits, so an accountant must measure wealth correctly and fairly. An accountant will present financial statements that are prepared from evidence that exists in an organization that is run by management appointed or previously appointed. Management can do anything in presenting reports in accordance with their motivations and interests, so that it is logically feared that they will piggyback their interests. Therefore, the Independent Accountant is required to conduct an examination of the report and its evidence. These audit methods, techniques, and strategies are studied and explained in Auditing Science. Then, in accordance with Allah's command in the Qur'an, we must complete the above measurements in the form of items presented in the Balance, as described in Surah Al-Israa' verse 35 which reads:

"And complete the measure when you measure, and weigh it with the right balance. That is more important (for you) and better as a result."

b. Purpose Of Sharia Accounting

All the rules revealed by Allah swt in the Islamic system lead to the achievement of good welfare. virtue and eliminate evil, misery and loss in all of his creation. In the economic field is to achieve the safety of the world and the hereafter. Three (3) targets of Islamic law that show Islam as a mercy for the entire universe and its contents.

- 1) Purification of the soul so that every Muslim can be a source of goodness for society and the environment.
- 2) Upholding justice in society.
- 3) Achievement of maslahah (peak target): Congratulations on religion, soul, mind, family and descendants, property.

Thus, sharia accounting has a goal to realize the main love for Allah Swt, by carrying out accountability, creativity and submission for transactions, production processes and economic events in organizations, the delivery of which is spiritual and material in accordance with the values in Islamic teachings and objectives. sharia. The objectives of sharia accounting in general include:

- 1) Help achieve socio-economic justice (Al Falah).
- 2) Fully recognize obligations to God, society, individuals in relation to parties related to economic activities, namely accountants, auditors, managers, owners, government, etc. as a form of worship.

c. Sharia Accounting Principles

3) Accountability

The principle of accountability is a concept of which is not foreign to the Moeslim community. Accountability is always related to the concept of trust. For Muslims, the issue of trust is the result of human transactions. Humans are burdened by Allah SWT to carry out the function of the caliphate on earth. The essence of the caliphate is to carry out or fulfill the mandate. Many verses of the Qur'an explain the process of human responsibility as the perpetrator of Allah's mandate on earth. The implication in business and accounting is that individuals involved in business practices must always be responsible for what has been mandated and done to the parties concerned.

4) The Principle of Justice

According to the interpretation of the Qur'an letter Al-Baqarah; 282 contains the principle of justice which is an important value in the ethics of social and business life, and the inherent value

inherent in human nature. This means that humans basically have the capacity and energy to do justice in every aspect of their lives. In the context of accounting, affirming the word fair in verse 282 of the letter Al-Baqarah, carried out by the company must be recorded correctly.

5) The Principle of Truth

This principle actually cannot be separated from the principle of justice. For example, in accounting we are always faced with the problem of recognition, measurement of reports. This activity can be done well if it is based on the truth value. This truth will be able to create the value of justice in recognizing, measuring, and reporting transactions in the economy. Thus, the development of Islamic accounting, the values of truth, honesty and justice must be actualized in accounting practice. Broadly speaking, how truth values shape sharia accounting can be explained. Based on the Qur'anic texts that have been explained about accounting concepts and sharia accounting principles, it can be concluded that the characteristics of sharia accounting are as follows:

- a) Reported correctly.
- b) Fast in reporting.
- c) Made by experts (accountants).
- d) Directed, clear, firm and informative.
- e) Contains comprehensive information.
- f) All parties addressed information involved and in need.
- g) Detailed and thorough.
- h) No manipulation.
- i) Done continuously (not negligent).

2. Application an Accounting in Micro, Small and Medium Enterprises in Digital Economy

With the existence of e-commerce and the digital economy, this is a golden opportunity for MSME actors to develop and advance their business, by utilizing digital companies as partners in the form of promotion and selling MSME products. Several e-commerce sites in Indonesia, such as Lazada, Shopee, Buka, Toko Pedia, MatahariMall.com, Shopping.com, aim to help provide financial access to entrepreneurs and help ensure that the products produced by MSMEs are eligible to compete in this digital era so that they gain trust. from funding.

The role of MSMEs is shown by their contribution to national production, the number of business units and business actors. By providing convenience and facilities in meeting the requirements to obtain financing to develop MSMEs in this digital era, and can make it easier for MSME actors to make financial reports easier by using Accounting Software to help manage business finances well. This makes it easier to enter data that is not as complicated as making accounting records. The journal will also provide financial reports instantly so that it is easier to see the company's financial condition, and can present financial performance reports, through the journal you can also manage company assets to stock goods easily.

Accounting for MSMEs is the time to play a very important role because at this time the MSME sector has the potential to continue to grow and increase from year to year. Accounting provides information to interested parties to make decisions on economic or financial activities. The financial statements of an entity are prepared systematically and supported by sufficient evidence to produce financial statements related to the availability of an Accounting Information System. Accounting Information System serves to support and improve operations in the business, and for problem solving and decision making in the business. The benefits of applying accounting in their business will make it easier for MSME actors to make financial reports, evaluate performance, know financial position, and calculate taxes.

If MSMEs have carried out accounting records that are relevant, accurate and reliable, it will certainly facilitate the process of applying for loans to banks. For the creation of the MSME sector with good, professional and competitive financial management, an element of "must" is needed in financial recording and reporting. These "must" elements can be implemented in the form of requirements that must be met by MSMEs in order to obtain financing. This is where support and attention are needed in the form of controlling and mentoring the application of accounting records to SMEs.

A successful business is a business that is able to control its debts and receivables. For example, the role of accounting such as; When you post to the general journal for accounts payable and receivable, it allows you to be able to track accounts payable to others and to find out who owes your company goods or services. Monthly reports such as balance sheets and income statements show the financial health of the business as it relates to sales. The cash flow statement will determine how much money is

coming in and how much is going out. All of these procedures and statements help to draw a general picture of the profitability of the business.

Accounting information enables business owners to assess the efficiency and effectiveness of their business in the midst of an era of digital. Prepared financial reports can be compared with predetermined targets or competitor data to monitor how the SME is operating. Historical financial accounting reports can also used as business owners trends to analyze and predict future sales.

Good SMEs use management accounting and financial accounting methods in business operations. Management accounting focuses on allocating business costs to goods or services, creating budgets for the proper functioning of the business, and preparing financial information for business decisions. Financial accounting prepares financial statements that record sales revenues, expenses, assets, liabilities, and cash flows for small businesses. Both types are used to secure external financing or to report financial performance to business stakeholders.

Seeing the Importance of the Role of Accounting in Business and SMEs. When setting up an SME, perhaps the basic lesson that must be learned apart from marketing strategy is accounting. Because business decisions can be taken from this accounting. To see its function, accounting is often used for two roles at once in running a business. The first is management accounting and the second is financial accounting. Both must be synchronously applied. The following roles and functions of accounting for MSMEs are described in detail in the table below:

Table 2 Role and Function of accounting for MSMEs

No	Role and function of accounting for MSMEs
1	The Role of Accounting in Management, there are about four roles of accounting itself. These four roles must be carried out to get perfect results in managing a business and business.
2	Running Cost Management
3	As Management Control
4	As an Information tool
5	As an Analysis tool
6	In Business and SME Finance
7	In Business and SME Finance
8	As a Controlling and Controlling Tool
9	As a Decision Making Tool
10	The Role of Accounting as a Third Party Information Tool

E. CONCLUSION

In this paragraph it is clear that the purpose of this order 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, do not cause conflict, and are fair and equitable. The Qur'an protects the interests of society by maintaining the creation of justice and truth. Therefore, the pressure from accounting is not decision making but accountability. In the Qur'an it is also stated that we must measure fairly, not to be exaggerated and not to be reduced. We are forbidden to demand justice for our measurements and scales, while for others we reduce them.

Accounting Information System serves to support and improve operations in the business, and as a problem solver in decision making in the business. The benefits of applying accounting for SMEs are making financial reports, evaluating performance, knowing financial position, and calculating taxes. The Importance of the Role of Accounting in Business and SMEs is, The first is management accounting and the second is financial accounting. Both must be synchronously applied.

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