



Article

Implementation of Financial Reporting in Islamic Boarding Schools

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ABSTRACT

This research analyses the form or model of financial reporting prepared by Islamic boarding schools. The research method used is qualitative research with the following objects: the Sunan Bejagung Islamic Boarding School and the Manbail Futuh Islamic Boarding School in Tuban, East Java. Data and data sources are obtained from primary data and secondary data. Interviews, observation, documentation carry out data collection techniques. The research results show that the Sunan Bejagung Islamic Boarding School and the Manbail Futuh Islamic Boarding School, in preparing financial reports, have yet to refer to the Islamic Boarding School Accounting Standard (ISAK 35). The Sunan Bejagung Islamic Boarding School has just created bookkeeping in general journals and ledgers. Likewise, at the Manbail Futuh Islamic Boarding School, financial reporting only uses single entries or simple records in cash-in and cash-out. The model or form of financial reporting at the two Islamic boarding schools studied does not yet refer to the Islamic Boarding School Accounting Standard (ISAK 35) due to several factors, namely: (1) lack of understanding and knowledge of managers regarding the presentation of financial reports, (2) limited human resources owned by Islamic boarding schools, and (3) minimal socialization regarding the standards for presenting Islamic boarding school financial reports.

Keywords: *Financial Reports, Islamic Boarding School Accounting Standart*

JEL Classification: G32, G53, H83

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INTRODUCTION

The existence and development of Islam in Indonesia cannot be separated from the significant role of Islamic boarding schools, which means that the increasingly rapid growth of Islam is influenced by the large number of Islamic boarding schools (Anwar, 2021). Apart from being a base that can maintain and improve the development of Islam,

the existence of Islamic boarding schools also turns out to have a positive impact on society, including increasing the economic potential of the community so that it is more independent and prosperous and able to develop economic activities based on Islamic sharia (Ahyar & S, 2020).

Based on Islamic boarding schools' significant role and potential in religious development and other aspects, efforts to build accountability (public trust) must continue through financial reporting by applicable guidelines/standards. This is important, considering the number of Islamic boarding schools in Indonesia continues to increase. Based on data from the Ministry of Religion (Kemenag), in 2022/2023, the number of Islamic boarding schools in Indonesia is 39,043, spread across 34 provinces. The most significant number of Islamic boarding schools in West Java is 12,121. East Java occupies the second position with 6,744 Islamic boarding schools, and the third is located in Banten with 6,430 Islamic boarding schools (Rizaty, 2023).

With the encouraging condition and development of the number of Islamic boarding schools, which on the one hand have been able to show their role and positive impact, Islamic boarding schools still have other sides as tasks that they must face, both related to internal and external issues, including those related to human resources who manage Islamic boarding school finances ((IAI) & (BI), 2018).

Human resources that manage the finances of Islamic boarding schools are an essential issue because Islamic boarding schools are entities that also have the responsibility to build public trust, including through accountable financial reports. Financial reports that comply with Islamic boarding school accounting standards or guidelines can be used as an assessment of Islamic boarding school performance and considerations for other stakeholders, donors, government and the wider community (Soleha & Yulianto, 2022)

The financial reports prepared by Islamic boarding schools are a form of Islamic boarding school responsibility in managing finances obtained from various sources such as endowments, donations, and so on. Therefore, Islamic boarding schools need clear accounting guidelines based on generally accepted financial accounting standards. These guidelines must help manage Islamic boarding school finances transparently and accountable (Wulansari, 2023).

The importance of financial reports that comply with standards as a form of accountability and transparency in Islamic boarding schools is evident because many problems still face them, including those related to accounting, budgeting, allocations, administrative arrangements, and the need for growth. This problem is caused by a need for more knowledge regarding preparing financial reports (Setiyawan, 2018).

Several previous studies also show that there are still problems in implementing Islamic boarding school financial reporting according to the appropriate reporting standards. These problems include research conducted by Muhammad Syukri et al. (2023) that the financial reports of the Al-Muthamainnah Islamic Boarding School do not comply with Islamic boarding school accounting standards as evidenced by the absence of financial reports, which include financial reports, operational reports, and cash flow reports and notes to financial reports. Another research conducted by Irzalifah Darmi (2021) found that the recording of financial reports at the Khalid Bin Walid Islamic Boarding School still needed to be simplified by the Islamic Boarding School Accounting Guidelines. Other research was conducted by Dewa Ruci and Henri Prasetyo (2022), who found that financial reporting at the Al I'tshom Islamic Boarding School was declared not to be by the Islamic Boarding School Accounting Guidelines.

Based on the problems above, the researcher intends to conduct research again on Islamic boarding school financial reporting in two Islamic boarding schools in Tuban Regency, namely the Sunan Bejagung Islamic Boarding School and the Manba'il Futuh Islamic Boarding School. Researchers conducted research at these two Islamic boarding schools because, first, Tuban Regency is a city nicknamed "Santri City". After all, it has many Islamic boarding schools spread across the area. Second, the Islamic boarding schools studied are PonPes Sunan Bejagung, which was established in 1998 and PonPes Manba'il Futuh, which has been established since 1925; both of which are pretty sizeable Islamic boarding schools and have several students that continue to increase from year to year, p. This indicates that public trust

in the two Islamic Boarding Schools continues to grow. Third, the Islamic boarding school students also received funds from infaq, infaq, and waqf.

Based on the background description above, researchers are interested in conducting research with the title "Analysis of Islamic Boarding School Financial Reports, Study at Sunan Bejagung Islamic Boarding School & Manba'il Futuh Islamic Boarding School, Tuban, East Java" Based on the problems above, the researcher intends to conduct research again on Islamic boarding school financial reporting in two Islamic boarding schools in Tuban Regency, namely the Sunan Bejagung Islamic Boarding School and the Manba'il Futuh Islamic Boarding School. Researchers conducted research at these two Islamic boarding schools because, first, Tuban Regency is a city nicknamed "Santri City". After all, it has many Islamic boarding schools spread across the area. Second, the Islamic boarding schools studied are PonPes Sunan Bejagung, which was established in 1998 and PonPes Manba'il Futuh, which has been established since 1925; both of which are pretty sizeable Islamic boarding schools and have several students that continue to increase from year to year, p. This indicates that public trust in the two Islamic Boarding Schools continues to grow. Third, the Islamic boarding school students also received funds from infaq, infaq, and waqf.

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Financial Reports, Study at Sunan Bejagung Islamic Boarding School & Manba'il Futuh Islamic Boarding School, Tuban, East Java"

LITERATURE REVIEW

An entity's financial reports, including Islamic boarding schools, cannot be separated from what is called accounting, where accounting is fundamentally related to "Positive Accounting Theory". Positive accounting theory assumes that the purpose of an accounting theory is to provide explanations and predict accounting practices (Watts & Zimmerman, 2011).

According to the American Accounting Association (AAA), accounting identifies, measures, and reports economic information to enable precise and firm assessments and decisions for those who use the information (Wahyuni, 2021). According to Fess (2016), in general, accounting can be defined as "an information system that produces reports to interested parties regarding economists' activities and company conditions. Accounting is often referred to as "the language of the business world" because the economic information produced is usually in the form of numbers, and a company's output is also in the form of numbers (Eli, 2021). The main objective of accounting is to present economic information and an economic entity to interested parties. An economic entity is a business enterprise of a business. Economic information produced by accounting is useful for parties within the company itself or parties outside the company. In producing economic information, companies must create a method of recording, classifying, analyzing and controlling financial transactions and activities and reporting the results (Taslim & Pratama, 2021). The

resulting report is the "Financial Report" from this accounting process.

A financial report is a report on the results of the accounting process which can be used as a communication tool between the financial data or activities of a company and parties interested in the company's data or activities (Herawati, 2019). In simple terms, a financial report is a report that contains a description of the financial situation or condition prepared based on a predetermined period. In general, financial reports are ready to provide clear and transparent information on financial position, financial performance and cash flow to users of financial reports regarding a company's financial condition, which helps make decisions for users of financial reports.

The objectives of the financial report itself include (a) providing reliable information regarding the company's economic resources and obligations, (b) providing reliable information about the sources of net assets from profit-seeking business activities, (c) providing financial information that can be used to measure the company's potential to generate profits, and (d) provide other relevant information needed by users of financial reports (Herawati, 2019).

In non-profit entities, especially Islamic boarding schools, financial reports refer to Islamic boarding school accounting guidelines or standards, namely ISAK 35. Islamic boarding school financial reports based on ISAK 35 guidelines consist of the following:

1. Statement of financial position.
2. Report of comprehensive income.
3. Report of changes in net assets.
4. Statement of cash flows.
5. Notes to financial statements.

METHODOLOGY

The research was conducted at Islamic boarding schools in Tuban Regency, East Java, at the Sunan Bejagung Islamic Boarding School and the Manbail Futuh Islamic Boarding School. The time of the research was from June to July 2023. This research is a type of qualitative research, namely a research method that uses descriptive

data taken from people and observed behaviour, so it does not require statistical data or what is called a naturalistic approach because the data is collected from people who live in the same natural environment as researchers (Moleong, 2018).

This research uses primary and secondary data. Primary data is data that directly provides data to data collectors (Sugiyono, 2022). Primary data in this research were obtained from Islamic boarding schools in Tuban City, namely PonPes Sunan Bejagung and PonPes Manba'il Futuh. Secondary data is data obtained by researchers indirectly (Sugiyono, 2022). Secondary data in this research was obtained from various relevant sources and literature related to the research.

Data collection techniques were carried out using three methods, namely interviews, observation and documentation. An interview is a conversation between two or more people with a specific purpose (Moleong, 2018). The researchers will conduct interviews in this research by asking several questions to the parties involved, namely the financial managers at the Sunan Bejagung Islamic Boarding School and the Manbail Futuh Islamic Boarding School. Meanwhile, observation is a data collection technique carried out systematically and deliberately by observing and recording everything investigated. In this research, researchers used observation techniques by directly observing and taking systematic and thorough notes regarding financial recording and reporting activities in the two Islamic boarding schools. The third technique, namely documentation, is for searching for data regarding things or variables in the form of notes, transcripts, books, newspapers, magazines, etc. Documentation complements data obtained from interviews and observations sourced from documents and recordings. The documentation in this research relates to documentation regarding the scope of the Islamic Boarding School, evidence of recording, and evidence of financial reporting that the Sunan Bejagung Islamic Boarding School and the Manbail Futuh Islamic Boarding School have made.

The data analysis technique in this research was carried out using a model formulated by Miles

and Huberman (1984), who stated that activities in qualitative data analysis are carried out interactively and continue continuously until completion so that the data is saturated. Activities in data analysis consist of:

1. Data collection, namely, the researcher records data objectively and based on the results of observations and interviews in the field.
2. Data condensation is selecting, focusing, simplifying, and abstracting data from field notes, interviews, transcripts, various documents, and field notes.
3. Data presentation, a collection of compiled information, makes it possible to draw conclusions and take action.

Presentation of data is a form of analysis in the form of brief descriptions, charts, relationships between categories, flowcharts, and the like, and (4) decision-making or verification, namely drawing conclusions or verification carried out after the data is presented. Verification can be carried out to draw conclusions and determine decisions based on data reduction or data presentation, which is the answer to the problems raised in the research (Sugiono, 2022). To ensure the truth and validity of research data, researchers carried out a triangulation process with three forms of triangulation, namely technical triangulation, source triangulation and time triangulation.

RESULT AND DISCUSSION

1. Financial Report of Sunan Bejagung and Manba'il Futuh Islamic Boarding Schools

The financial reports prepared by the Sunan Bejagung Islamic Boarding School are currently only prepared as a general journal and ledger. The general journal prepared by the Sunan Bejagung Islamic Boarding School contains information on initial balances, cash in and cash out, income and expenses. This information is based on several pieces of evidence obtained by researchers, both sourced from financial report documents and information from interviews with informants from the Sunan Bejagung Islamic Boarding School,

namely with Mrs. Nur Elmi Sholihah on Wednesday, July 12 2023, including:

"Our financial reports have recordings in the ledger and general journal. "In the general journal, all income and expenditure activities of Islamic boarding school funds are recorded and classified in more detail in the general ledger."

"In the financial report, this cottage records the income coming in and expenses incurred by the cottage, sis."

"In accordance with the Foundation's recording format, there is no format for notes on financial reports. We only make it according to the format given by the Foundation."

The financial reports at the Manba'il Futuh Islamic Boarding School have also been made more straightforward. The Manba'il Futuh Islamic Boarding School has just made financial reports in the form of cash incoming and outgoing reports only in the format provided by the Foundation in the Islamic boarding school's financial report book. These results are based on the researcher's analysis of the source documents collected and also the results of interviews with informants at the Manba'il Futuh Islamic Boarding School, including the results of an interview with Mr Muhammad Falah on Wednesday, June 7 2023:

"Our financial statements only record cash balances, sis. "To record current asset accounts, non-current assets, short-term liabilities, long-term liabilities and net assets, we do not make these records because we still make simple financial reports."

"In our financial reports, we only record the previous month's balance and cash balance. "Meanwhile, we did not record net asset accounts, which are exempt from restrictions, comprehensive income for the current year, and surplus for the current year."

"We don't know the notes to financial statements at all, so we don't make notes to financial reports."

Based on the research results at the two Islamic boarding schools, namely the Sunan Bejagung Islamic Boarding School and the Manbail Futuh Islamic Boarding School, the financial reports prepared by the two Islamic boarding schools do not yet refer to Islamic boarding school accounting standards (ISAK 35). Both Islamic boarding schools still make financial reports using the format that has been provided. Made/determined by the Foundation.

2. Components of Islamic Boarding School Financial Report

Based on the analysis carried out by researchers on the financial report documents prepared by the two Islamic boarding schools studied, namely the Sunan Bejagung Islamic Boarding School and the Manbail Futuh Tuban Islamic Boarding School, it can be concluded that several components in the financial reports prepared by the two Islamic boarding schools are as follows:

First, financial reporting carried out by the Sunan Bejagung Islamic Boarding School has begun to prepare financial reports by classifying them into 4 (four) elements in their financial reports: assets, liabilities, income and expenses.

Second, the financial reporting carried out by the Manbail Futuh Islamic Boarding School only makes financial reports specifically in the form of cash inflows and outflows; there is no classification as created by the Sunan Bejagung Islamic Boarding School.

3. Problems in Implementing Islamic Boarding School Financial Reports

Based on the results of the research that has been carried out, researchers found 3 (three) factors which are problematic related to the non-implementation of Islamic boarding school

accounting guidelines in the two Islamic boarding schools studied, namely caused by lack of understanding and knowledge of managers regarding the presentation of financial reports, limited human resources owned by Islamic boarding schools, and lack of socialization of accounting standards that Islamic boarding schools should apply.

a) Lack of understanding and knowledge of managers regarding the presentation of financial reports.

The lack of knowledge and understanding of Islamic boarding school managers in presenting financial reports has caused the two Islamic boarding schools to practice recording financial reports using only simple methods that suit their needs. This is the document that researchers found, supported by data from interviews with informants from the two Islamic boarding schools, namely:

There is a lack of knowledge about the rules for preparing Islamic Boarding School Accounting Guidelines. This is because financial management is still simple in the sense of not following the rules in the Islamic Boarding School Accounting Guidelines" (Mrs et al. School, Wednesday, July 12, 2023, at 09.00 WIB).

"The financial managers here are not economics graduates, sis, so there is a lack of understanding for making financial reports that are too in-depth" (Mr. et al. School, Wednesday, June 7, 2023, at 08.30 WIB)

b) Limited Human Resources owned by Islamic Boarding Schools.

The limited number of expert human resources in accounting at Islamic boarding schools, especially the two Islamic boarding schools studied, namely Sunan Bejagung Islamic Boarding School and Manbail Futuh Islamic Boarding School, makes financial

managers make simple financial reports without referring to Islamic boarding school accounting guidelines. This is the information conveyed by the two Islamic boarding school managers:

"The inhibiting factor in this boarding school is the lack of human resources who understand the preparation of financial reports in accordance with financial report presentation standards." (Mrs. et al. School, Wednesday, July 12 2023, at 09.00 WIB)

"In this Islamic boarding school, the financial manager (myself) does not really understand the preparation of financial reports in accordance with the Islamic Boarding School Accounting Guidelines, and here there are also no human resources who know how to prepare reports in accordance with the Islamic Boarding School Accounting Guidelines" (Mr. et al. School, Wednesday, June 7, 2023, at 08.30 WIB)

- c) Minimal socialization regarding Islamic boarding school financial report presentation standard

The lack of socialization regarding the Islamic Boarding School Accounting Guidelines (PAP) makes the Islamic boarding schools studied. Namely, the Sunan Bejagung Islamic Boarding School and the Manbail Futuh Islamic Boarding School need to familiarize themselves with the standards intended for Islamic boarding schools. This is according to information extracted from the managers of the two Islamic boarding schools as follows:

"There has never been any socialization regarding the preparation of financial reports that comply with the standards for preparing financial reports for Islamic boarding schools, Miss, so we just make them according to the format provided by the foundation" (Mrs. et al. School, Wednesday, July 12 2023 at 09.00 WIB)

"Until now, I have never participated in socialization activities regarding the preparation of financial reports by Islamic Boarding School Accounting Guidelines, sis. But I also always update about how to organize finances properly and correctly" (Mr. et al. School, Wednesday, June 7 2023, at 08.30 WIB)

CONCLUSION AND RECOMMENDATION

Based on the description above, several conclusions from the research that has been carried out are:

1. The form of financial reports prepared by the two Islamic boarding schools studied does not refer to Islamic boarding school accounting guidelines. The financial reports are still prepared in a simple form, namely in the form of a general journal and ledger, where the accounts in the financial reports only provide information on cash in and cash out, as well as income and expenses.
2. Problems in the financial reporting practices of Islamic boarding schools studied do not refer to Islamic boarding school accounting guidelines (ISAK 35) caused by three factors, namely the lack of management knowledge about Islamic boarding school accounting guidelines, the lack of human resources owned by Islamic boarding schools, and the absence of socialization regarding Islamic boarding school accounting guidelines.

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