COMPONENTS AND CONTENTS OF FINANCIAL STATEMENTS OF SHARIA ENTITIES IN IQTISHOD UNISMA COOPERATIVE

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ABSTRACT

Islamic financial institutions, focusing on adherence to Sharia financial principles, have become a primary concern in developing the financial sector by Islamic principles. This mini-research aims to analyze the influence of Sharia financial principles on the performance of Islamic financial institutions in the Iqtishad Cooperative of the Islamic University of Malang (Unisma). The study utilizes qualitative and quantitative approaches, conducting surveys and interviews with members and managers of the Iqtishad Cooperative Unisma to gain insights into the understanding, implementation, and impact of Sharia financial principles.

The research findings indicate that Sharia financial principles such as the prohibition of usury (interest), profit and loss sharing, and the prohibition of speculative practices positively influence the trust of members and shareholders in the performance of the Iqtishad Cooperative. Furthermore, a deeper understanding of these principles among the cooperative's management and members appears to enhance transparency, ethics, and commitment to carrying out Sharia financial activities. In this context, the research concludes that the understanding and implementation of Sharia financial principles significantly impact the performance of Islamic financial institutions in the Iqtishad Cooperative Unisma, contributing to the achievement of financial goals in accordance with Islamic principles. Thus, this research provides valuable insights into Islamic financial institutions within the cooperative context and their positive contribution to the overall development of the Sharia financial sector.

Keywords: **Contents of Financial Statements of Islamic Entities**

INTRODUCTION

In the current era of globalization and economic complexity, Islamic financial institutions are increasingly gaining attention in the international financial world. The principles of Islamic finance, based on Islamic teachings, have garnered significant attention from stakeholders, investors, and the general public. Sharia-compliant entities, including Islamic banks, Sharia microfinance institutions, Islamic insurance companies, and others, play a crucial role in the financial ecosystem in accordance with Islamic law. Sharia cooperatives, often referred to as Sharia Financial Service Cooperatives (KSPPS), are cooperatives engaged in financing, investment, and savings activities following Sharia principles.

The issuance of Ministerial Decision No. 91/Kep/M.KUKM/91X/2004 regarding the implementation guidelines for the activities of Sharia Financial Service Cooperative (KJKS) has compelled every BMT (Baitul Maal wat Tamwil) to transform itself into a KJKS. Since September 25, 2015, the implementation of savings and financing activities by cooperatives has undergone changes, leading to the transformation of KJKS into KSPPS.

Unlike conventional financial institutions (banks), which essentially act as borrowers on one side and lenders on the other, Sharia financial institutions (KSPPS) fundamentally serve as partners for their members. Sharia cooperatives gather funds from members through Mudharabah contracts that can be limited by time, purpose, or both, thus becoming managing partners during the agreement period. Once a Sharia cooperative enters into a Mudharabah contract with its members, it utilizes these funds through various Sharia-compliant agreements such as Mudharabah, Musyarakah, Murabahah, Ijarah, and others.

One key element supporting transparency, accountability, and better understanding related to Sharia entities is financial reporting. Financial reports of Sharia entities provide an overview of their performance and finances, considering the steadfast adherence to Sharia principles. The financial reports of Sharia entities include information on assets, liabilities, equity, income, and cash flows within the framework of Sharia principles, differing from conventional entity financial reports.

Based on the above problem background, the author intends to conduct research with the title "Components and Content of Financial Reports of Sharia Entities at Iqtisad Cooperative." We undertake this research to identify the components of Sharia financial reports existing in the Iqtisad Cooperative and to compare the theory with practical implementation.

THEORETICAL BASIS

1. Definition of Sharia Cooperative

According to Masjfuk Zuhdi, a Cooperative is defined as an association or organization consisting of individuals or legal entities working together consciously to improve the well-being of members on a voluntary and family-like basis. Nur S Buchori

(2009) states that "Sharia cooperative is an economically organized effort that is mentap, democratic, autonomous, participative, and social in nature, with operational systems based on ethical and moral principles while considering the halal and haram aspects of its business as taught in Islam."

According to Siregar (2015), a Sharia Cooperative "is a conversion from conventional cooperatives through an approach that is in accordance with Islamic law and the economic role modeled by the Prophet Muhammad and his companions." From the various opinions above, the author concludes that a Sharia cooperative is a form of cooperative whose activities and operations revolve around Sharia-compliant financing, savings, or profit-sharing and do not involve usury.

Sharia cooperatives have the same meaning as business entities engaged in financing, investment, and savings following a profit-sharing pattern, more commonly known as Sharia financial service cooperatives.

2. Financial Reports

Financial reports are records of financial information of a company/entity for a specific accounting period that can be used to describe the performance and size of the company's business results. Each entity has financial reports that aim to provide information regarding the financial position, performance, and changes in the financial position of an entity that is useful for a large number of financial statement users in making economic decisions. Types of financial reports generally include: balance sheet, income statement, equity changes, and cash flow statements (Riswan et al., 2014:94).

According to Hassan, Sharia financial reports are reports that encompass financial information related to Sharia financial entities, such as Islamic banks or other Sharia financial institutions. These reports are prepared in compliance with Sharia financial principles based on Islamic law.

According to Baydoun and Willett, Sharia financial reports are reports that reflect the financial position, performance, and cash flow of a financial institution operating in accordance with Sharia principles. These reports contain information in accordance with Sharia principles, such as avoiding usury, compliance with zakat, and fund management in accordance with Islamic law.

The understanding of Sharia financial reports by these experts reflects similarities in terms of covering financial aspects of entities following Sharia principles, avoiding usury, and adhering to Sharia financial principles.

PSAK 101 is an accounting standard used as a guideline for accountants in preparing and presenting Sharia financial reports in Indonesia. This statement aims to regulate the presentation and disclosure of financial statements for general purposes for Sharia entities, hereinafter referred to as financial statements, to be comparable with the financial statements of Sharia entities in previous periods and with those of other Sharia entities.

3. Components of Sharia Financial Reports

Sharia cooperative financial reports refer to the Financial Accounting Standards Statement (PSAK 101) and Minister of Cooperatives and SMEs Regulation No. 14/Per/M.KUKM/XII/2015 concerning Accounting Guidelines for Savings and Loan Business and Sharia Financing by Cooperatives, which consist of:

1. Balance Sheet (Financial Position Statement): Shows the financial position of the Sharia entity on a specific date, including assets, liabilities, and equity.

2. Profit and Loss Statement (Income Statement and Other Comprehensive Income): Shows the financial performance of the Sharia entity for a specific period, including income, expenses, profit, and loss.

3. Cash Flow Statement: Shows the inflow and outflow of cash for the Sharia entity during a specific period, including cash flow from operating, investing, and financing activities.

4. Equity Changes Statement: Shows changes in the equity of the Sharia entity during a specific period, including owner contributions, distributions to owners, and comprehensive profit or loss.

5. Zakat Fund Sources and Uses Statement: Shows the sources and uses of zakat funds by the Sharia entity, if applicable.

6. Notes to the Financial Statements: Presents additional information relevant to understanding the financial statements, including accounting policies, estimates, and other disclosures.

According to Hassan, the financial statements of Sharia entities include basic elements such as the balance sheet, income statement, and cash flow statement, but there is a specific emphasis on components that reflect Sharia financial principles, such as customer funds, Mudharabah accounts, and Musharakah accounts.

Billah explains that the components of Sharia entity financial statements include the balance sheet, income statement, and cash flow statement that reflect the financial position and performance of the entity. He also notes the importance of notes to the financial statements to provide detailed information about Sharia transactions and the principles followed.

These components create a framework for Sharia entity financial statements that reflect Sharia principles in their financial activities. In Sharia financial statements, there are special accounts that reflect Sharia transactions, with an emphasis on transparency and compliance with Sharia principles. The notes to the financial statements also play a crucial role in explaining Sharia transactions regulated in the statements.

HYPOTHESES

1. Impact of Sharia Financial Principles on Performance

• The first hypothesis posits that Sharia financial principles have a significant impact on the performance of Islamic financial institutions within the Iqtishad Cooperative at the Islamic University of Malang (Unisma).

• It is hypothesized that adherence to these principles, including the prohibition of usury (interest), profit and loss sharing, and the avoidance of speculative practices, will positively influence the overall operational effectiveness.

2. Potential Benefits of Sharia Financial Institutions

• The second hypothesis suggests that financial institutions adhering to Sharia financial principles have the potential to deliver greater benefits to members, shareholders, and the community in the broader context of developing the Sharia financial sector.

• It is anticipated that the cooperative's compliance with these principles will contribute to the well-being and prosperity of stakeholders.

3. Role of Education and Understanding

• The third hypothesis underscores the importance of education and a better understanding of Sharia financial principles among the management and members of Islamic financial institutions.

• It is hypothesized that an improved awareness and comprehension of these principles will positively correlate with transparent and effective implementation within the cooperative.

4. Research Methodology Effectiveness

• The fourth hypothesis examines the effectiveness of the research methodology adopted, which includes a field research type, on-site observations, and various data collection techniques.

• It is hypothesized that the chosen methodology, combining primary methods like interviews and secondary methods utilizing documents, archives, and direct observations, is effective in capturing comprehensive and accurate data.

5. Descriptive Analysis for Data Interpretation

• The fifth hypothesis addresses the suitability of the descriptive analysis approach for interpreting and presenting the collected data.

• It is hypothesized that the descriptive analysis method, involving the transformation of data into words and images, is effective in providing a clear, realistic understanding of the nuances and intricacies of the research findings.

These hypotheses form the foundation for the research, guiding the exploration of the impact of Sharia financial principles, the potential benefits of adherence, the role of education, and the effectiveness of the chosen research methodology and data analysis approach

METHOD (12pt, bold)

1. Research TypeIn this study, the researcher employed a field research type, which involved on-site observation at the Iqtishad Cooperative of UNISMA. The field research method conducted was through direct observation at the research location, ensuring that the obtained data is directly related to the research object.

2. Data Sources

To obtain relevant data on the research topic, the following data sources were utilized:

a. Primary Data

In this research, primary data was obtained directly through the method of interviews or direct conversations with informants from the Iqtishad UNISMA Cooperative.

b. Secondary Data

In this research, data obtained from informants and data related to primary data were collected from documents and archives as supplementary information or additional data complementing the primary data.

3. Data Collection Methods

a. Interviews

Interviews involve a process of obtaining information for research purposes through a question-and-answer session face-to-face between the interviewer and the respondent. The conversation is conducted by two parties: the interviewer posing questions and the interviewee providing answers to those questions.

b. Observation

The observation method is an activity to obtain information needed to present a real depiction of an event or occurrence to answer research questions. The author conducted observations by directly observing the procedures of the Iqtishad UNISMA Cooperative.

4. Data Analysis Technique

From the collected data, the author attempted to analyze the data. In data analysis, the author used descriptive analysis, where the obtained data was presented in the form of words or images and then described to provide clarity and realism

RESULTS AND DISCUSSION

A. Overview of the Research Object

The Iqtishad Cooperative of Islamic University of Malang is a sharia financial institution whose previous name was the Sharia Funding Center of FE Unisma. The establishment of this sharia cooperative came from an initiative that wanted to have a financial institution whose rules were in accordance with Islamic sharia. The activities of Iqtishod Unisma Cooperative are serving deposits, loans, and financing from members with sharia principles. Deposits are funds entrusted by members, prospective members, other cooperatives, and or their members to cooperatives in the form of deposits and savings. In the Iqtishad Unisma cooperative, financing of financial services is according to agreement and mutual benefit and losses are always borne together. so that with this, no one party feels the most advantaged and at the same time no party feels disadvantaged. Islamic financial statements must comply with sharia principles and applicable accounting standards. The components of the financial statements of Iqtishod Unisma cooperative include balance sheet, income statement, cash flow statement, notes to the financial statements, These components are similar to conventional financial statements, but there are other components that reflect the principles of Islamic finance. The financial statements of Iqtishod Unisma cooperative play an important role in providing a transparent picture of the activities and performance of cooperatives that follow sharia principles.

B. Principles of Islamic Finance in Iqtishod Cooperative

The principles of Islamic finance in Iqtishod Cooperative according to the Cooperative are the same as in theory, which consists of:

1. Brotherhood: The Cooperative always prioritizes "From By And For Members". From every policy that will be implemented by the cooperative, is the result of proposals from each member of the existing cooperative.

2. Justice: All members of the cooperative have the same rights, in terms of SHU distribution.

3. Beneficence: The cooperative will provide assistance to its members who have a business, such as ease of financing (distribution of funds). Not only that, the cooperative will also facilitate to provide guidance on the business. And the member gets a discount related to his business loan if he has paid off before the due date. Providing profit sharing every month with a proportion of 35% and using a mudharabah contract.

4. Balance: When viewed from the right and voluntary, then each member must pay voluntary savings.

5. Universalism: The cooperative does not conduct transactions that are not contrary to Islamic values, and selects members who have businesses in the halal field.

C. Components of the Financial Statements of Iqtishod Unisma Cooperative

From the results of surveys and interviews that have been conducted, it can be concluded that the components of Islamic finance are the same as those in theory, which include:

- Statement of financial position
- Income statement
- Statement of changes in equity
- Cash flow statement
- Statement of assets under management
- Notes to the financial statements
- Statement of sources and uses of zakat funds
- Statement of sources and uses of benevolent funds
- Additional financial statement components

The financial statements in the iqtishod cooperative are sharia-based, but the cooperative stated that there is no law to regulate sharia cooperatives and so far in accordance with Law No. 25 of 1992 concerning cooperatives.

The cooperative stated that the cooperative tries as much as possible so that the reporting is in accordance with the financial standards of sharia reports, starting from the preparation of financial statements to the accountability report at the Annual Members Meeting. Iqtishod Cooperative conducts transactions, raises funds, and distributes funds using Mudharabah contracts (related to raising funds such as deposits from faculty members), Musyarakah (profit sharing), and Murabahah (distribution of funds). Unisma

Iqtishod Cooperative can also issue term deposit products which in banking are known as deposits, Hajj and Umrah, and wadiah savings.

D. Islamic finance concepts such as zakat in the financial statements of Iqtishod cooperative

The cooperative stated that zakat is calculated at 2.5% of the profit earned by the cooperative and will be channeled through Baznas and 2.5% for social funds will be given to people who are unable. In addition, the Iqtishod cooperative also has an education fund contribution from Dekopin Malang City which is 25% and 5% of the cooperative's SHU which will be managed by Dekopin.

The recording process in the field of accounting related to financial statements involves collaboration with Islamic banks such as Bank Syariah Indonesia (BSI), Bank Muamalat Syariah, Bank Aladin Syariah and so on, which means that all funds managed by Unisma cooperatives cooperate with these banks. The cooperative does not store money outside Islamic banks.

CONCLUSION

Based on the results of this mini research, it can be concluded that the principles of Islamic finance have a significant influence on the performance of Islamic financial institutions in Iqtishad Cooperative of Unisma. These principles include the prohibition of usury (interest), profit and loss sharing, and the prohibition of speculative practices, which are the basis of Islamic finance operations. As such, this research provides evidence that Islamic financial institutions that adhere to the principles of Islamic finance have the potential to provide greater benefits to members, shareholders and society in the overall context of Islamic financial sector development. In addition, this research underscores the importance of better education and understanding of Islamic finance principles among managers and members of Islamic financial institutions.

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