

Socio Religious Settings and the Development of Accounting in Indonesia

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ABSTRACT

During 1980's, culture has featured in the discussion on the factors influencing the development of accounting. On the other hands, religion has an important role in shaping a culture as it also produces social understanding, values, beliefs and symbols, which can be absorbed by a society and reproduced as a culture of the society. This implies that the influence of religion on accounting is possibly occurred. This research tries to show how such influence occurred along with the development of religions in Indonesia. It is argued that different socio religious settings would result in different way of development of accounting. To support the argument, an empirical test would be conducted on (1) the perception of Muslim accounting academicians in Yogyakarta on the appropriateness of conventional accounting for Muslim users, and (2) the impact of different religious settings on the perception of Muslim accounting academicians on the suitability of conventional accounting in achieving Islamic socio economic objectives. This test is on the perception of Muslim accounting academicians on the appropriateness of conventional accounting for Muslim users will conducted by using one sample t-test. Meanwhile thethe impact of different religious settings will be analized by using analysis of variance (ANOVA) test.

Key words: *Religion, Socio-Religious Settings, Accounting, Society.*

ABSTRAK

Selama tahun 1980-an, budaya telah tampil dalam diskusi tentang faktor-faktor yang mempengaruhi perkembangan akuntansi. Di sisi lain, agama memiliki peran penting dalam membentuk budaya seperti itu juga menghasilkan pemahaman sosial, nilai-nilai, keyakinan dan simbol, yang dapat diserap oleh masyarakat dan direproduksi sebagai budaya masyarakat. Ini berarti bahwa pengaruh agama pada akuntansi mungkin terjadi. Penelitian ini mencoba untuk menunjukkan bagaimana pengaruh tersebut terjadi seiring dengan perkembangan agama di Indonesia. Dikatakan bahwa pengaturan agama sosial yang berbeda akan menghasilkan cara yang berbeda dari perkembangan akuntansi. Untuk mendukung argumen, tes empiris akan

dilakukan pada (1) persepsi akademisi akuntansi Muslim di Yogyakarta pada kesesuaian akuntansi konvensional untuk pengguna Muslim, dan (2) dampak dari pengaturan agama yang berbeda pada persepsi akademisi akuntansi Muslim pada kesesuaian akuntansi konvensional dalam mencapai tujuan sosial ekonomi Islam. Tes ini pada persepsi akademisi akuntansi Muslim di kesesuaian akuntansi konvensional untuk pengguna Muslim akan dilakukan dengan menggunakan satu sampel t-test. Sementara itu thethe dampak pengaturan agama yang berbeda akan analzed dengan menggunakan analisis varians (ANOVA) uji.

Kata kunci: Agama, Pengaturan Sosial Keagamaan, Akuntansi, Masyarakat.

INTRODUCTION

During 1980's, culture has featured in the discussion on the factors influencing the development of accounting. Hofstede (1983) finds that the lack of consensus among different countries on what represents proper accounting methods is not because of the technical problems but more on the cultural problems. Based on his research, Gray (1988) finds that some of the societal values have direct association with the accounting sub culture. Hence, the accounting practices would also be affected.

Since the nature of culture is an expression of norms, value and customs, which reflect typical behavioral characteristics, a member of a given culture would tend to share his or her social understanding, values, beliefs and symbols to the people surrounding him or her and vice versa to form common norms, values and customs (Perera, 1989). This formation of culture would imply that one culture could be different from another and the larger the difference between two cultures, the more difficult it is to have consensus.

In the history of the development of a culture, religion has an important role in shaping a culture. This is because religion also produces social understanding, values, beliefs and symbols, which can be absorbed by a society and reproduced as a culture of the society. Therefore in reality we can find some similar values, beliefs and symbols in two societies with the same religion for example Muslim Chinese belief on gambling who is more the same with Muslim Malays belief on Gambling rather than with the belief of non Muslim Chinese in Malaysia on gambling.

Islam, in particular has a strong ability to influence culture. Unlike other religions, it does not separate between worldly activities and the ritual activities. This characteristic would be able to influence culture in conformity with the universal Islamic teachings. For instance, on the whole Muslim society does not tolerate hedonistic social activity such as free sex, alcoholism and gambling, as it is forbidden in Islam. In terms of business activity, Islam has also provided some principles, which in turn would affect the accounting treatment. For example the principle of a focus on community interest in the decision and actions of the

firms, would require a full disclosure type of accounting (Baydoun and Willett, 2000).

LITERATURE REVIEW AND HYPOTHESIS FORMULATION

In the discussion on the relationship between culture, religion and accounting above, it is argued that accounting practice is a product of the society whereby the influence of culture as well as religion on accounting is possibly occurred. In this section, it would be shown how such influence occurred along with the development of religions in Indonesia. The discussion on such issue will be limited to the religions at which accounting shows its significant development in Indonesian archipelago. They are (1) at the early development of Hindu (2) at the early development of Islam and (3) at the early development of Christianity.

Early Hindu Development

Littleton (1933) argues that current double entry bookkeeping requires some prerequisites or antecedents, which have to prevail. He classified such antecedents as those which represent a 'material' and a 'language'. Material antecedent is something which needs to be reworked e.g. private property, capital, commerce and credit. Meanwhile language antecedent is a medium for expressing the material e.g. writing, money and arithmetic.

In Indonesia archipelago, language antecedent in terms of writing has not been recognized until the coming of Hindu's Brahmin Priests who had spread Hindu beliefs. Chatterji (1966) an Indian archaeologist found that the earliest inscription in Indonesia was what he called by Pallava script found in Kutai district of Kalimantan. The inscriptions use the language namely Sanskrit. Although the inscriptions are not dated, the form and style of the South Indian Scripts indicate that they were written in the fourth century A.D (Koentjaraningrat, 1975). Chatterji (1996) reveals that most of the inscriptions were used to commemorate the occasions of the building of the temples, or of pious donations.

The earliest inscriptions found, show how the Brahmin Priests gave sacred gifts and donations to the King Mulavarman.

".....the gift of twenty thousand kinds of the illustrious and foremost of the rulers of men, for the King Mulavarman, which was given at the most sacred place of Vaprakesvara.....(Chatterji, 1966)"

Sukoharsono (1999) argues that those inscriptions indicate that writing seems to be used for keeping information about sacred events. Just like the function of accounting, it shows that the writing had become a part of political administration of the information providers at that particular time. According to Mauss (1967), gifts and donations in the early society are the social phenomena that provide the mechanism for producing sacred ritual and solidarity. Gifts and donations are also a kind of self interested economic exchange by which a social

fabric is composed in terms of religious, legal, moral and economic (Mauss, 1967). Therefore we can conclude that accounting has been practiced in Indonesia during this period in the form of descriptions of the transactions occurring in the society. Since most of the descriptions are related to the religious events, we can say that the interaction of socio religious setting with accounting has been in existence since the very beginning of the development of accounting foundation in terms of writing medium. Such interaction would then continue in the period of development of Islam in Indonesia.

Early Islam Development

The arrival of Islam in Indonesia has improved the knowledge of writing purposes (Ambary, 1986). Hoernle's study (1900) reveal that Islam has brought the development of paper to replace the use of palm leaves for writing purposes during Buddhist & Hindu periods. At the same time the introduction of Arabic alphabet and number has also brought a significant development in the writing and calculation purposes. This means that during the early period of the development of Islam, Littleton's antecedents in terms of writing and arithmetic for development of current accounting was already in place.

Sukoharsono (1999) notes that the development of alphabetic, numerals notations and papers has increased the opportunity of the Indonesians to present and preserve a variety of knowledge and at the same time the development of both complex writing and record keeping became possible. This also means that the accounting then can be visualized both in qualitative and quantitative form.

During the early settlement of Islam in Indonesia, Schrieke (1957) indicates there existed a simple accounting calculations developed by Shahbandar, an important person who links the ruler and foreign traders and who was also responsible for the collection of anchorage fees and import and export duties. For the purposes of administration and accountability, Shahbandar prepared tax collection report at regular periods and then submitted it to the royal courts as revenue. Meanwhile the same function of taxation is also developed by court tax official collector for farmers, fishermen, craftsmen and merchants (Schrieke, 1957). Schrieke (1957) indicates that there were various rates and different types of levies in relation to different commodities occupations and other matters. For example, if the fisherman was of a high status in the community, he or she has to pay tax higher than that the community's. Such circumstance led to the development of a complex writing system related to the administration and financial calculations, function which commonly practiced in accounting discipline of knowledge.

Sukoharsono (1999) notes that this development is possible during the spread of Islam, because Islam does not only influence the personal morality of the Muslim individual but also touch on the economic enterprise (e.g. trading and transactions) and administration (e.g. the policy making and planning). Dobbin (1983) shows that in the early Islamic countries especially in Sumatera, the

Muslim holy book, the *Qur'an* was laid down as a basic principle which governed general economic behavior and involved the ethics of trading activities. At that time *Qur'an* was used as an alternative to the existing mode of regulating society's affairs. Besides that, the tradition (*Sunnah*) of the Prophet (pbuh) also plays an important role in the basic economic life of individuals and the community. However in the Inland regions of East and Central Java where Hindu and Buddhist Javanese cultural and religious traditions were strong, the influence of Islam was less strong and the religion was much modified into a typically Javanese kind of Islam (Koentjaraningrat, 1975). Koentjaraningrat (1975) asserts that people in that area mainly combine the veneration of sacred graves, the mystical concept of unity with God and the pre Islamic life cycle ceremonies with the belief in Allah and his Prophet Mohammad (pbuh).

The establishment of two Islamic states in Indonesia namely Demak (in Java) and Aceh (in Sumatera) has resulted in business complexities in the Muslim community and the increased role of the Islamic state in public affairs (Ricklefs, 1981). Sukoharsono (1999) notes that, in both Islamic States the major role of accounting had come into existence, due to their increasing revenue and budgeting. This is because they increase more and more their social responsibility in meeting the needs of (1) security, fortifications, military and diplomatic expenses (2) internal administration for Islamic teaching, religious ceremonies and public works (3) general welfare in the area of rice, meat and pepper distribution. Therefore to cover their recurring expenditures, the regular sources of revenues were also required. Such situation according to Sukoharsono (1999) would direct the states for better planning of revenues and expenses, in which the accounting information is a main required instrument. However, after the falls of the two Islamic states, their role in developing accounting was discontinued and replaced by the Dutch Colonialism.

Early Christian Development

During the development of Christian period, accounting in Indonesia has shown its rapid development especially in the private sector. However such development is more related with the spread of Dutch colonialism rather than the spread of Christianity even though both the spreading of Christian and the Dutch colonialism occur almost at the same time. Unlike during the spreading of Islam whereby the spread of Islam was also followed by the spread of accounting practice, in this period, the spread of accounting does not follow the spreading of Christian beliefs but more on following the colonialist practices in Indonesia.

Dutch colonialism, according to Diga and Yunus (1997) had introduced double entry bookkeeping through its business vehicle namely The East Indies Company (VOC). During that time the economic activities have rapidly accelerated and the demand for trained accountants and bookkeepers increased. Therefore some formal and informal education systems were established to introduce the bookkeeping. Dutch government formally, introduces bookkeeping

in the schools, meanwhile some Dutchmen who works for the Tax Office, Audit Office and The Treasury also provide a private tutorial with their own exam and certificate. This practice, according to Hoskin and Macve (1986) is one the characteristics of modern accounting whereby examination is used to legitimate the profession of accountancy.

During this period, the process of separation of religion and worldly activities such as economics and politics, was introduced. A religious Christian was mainly concerned on the religious rituals while the worldly activities were handled by specialized persons in that particular area. To become a specialist, especially in accounting one had to follow an educational process and examination conducted by the specialized person in that area.

Contemporary socio religious settings in Indonesia and the development accounting

After discussing the development of accounting during the spreading of religions, in this section it would be elaborated the contemporary setting whereby there is no new religion was introduced. At this setting the main issue is more toward how the traditional religions interact with the modern Indonesia which had declared its independence from colonialism in the year 1945. Whereas during colonialism, it can be said that the spreading of both Christian Protestantism and Christian Catholicism did not result in a significant changes on religion conversion to those religions. Therefore, almost 90 % of populations are still adhered to Islam as their religion whereas rests are shared by Christian Protestant, Christian Catholic, Hindu and Buddhist beliefs.

The colonialist era had left its influence on the thinking & practices of Muslim Indonesia, modern ideas such as capitalism, communism. Hence, the domination of Islam in contemporary Indonesia society is not reflected by the domination of Islamic oriented leaders in the national level. In some important forums on deciding, the Indonesian constitution, there are more nationalist oriented political elites rather than the Islamic oriented political elites. Therefore Islamic oriented leaders have been unsuccessful to make Islam to be accepted as the foundation of the nation. Instead of that the nationalist oriented leaders has successfully promoted an ideology called Pancasila, which they believed that it reflected the inner values of the Indonesian way of life and was regarded as a neutral and universal ideology for the multi religions society of Indonesia.

The debate on Pancasila continued after the declaration of Indonesian Independent. In his speech in front of the Constitution Assembly, Anshary (1957) one of the Islamic oriented leader stated that Pancasila is contradict with the Islamic faith (tawhid) as the substance of Pancasila is 'gotong royong' (mutual cooperation) in which all the principles in Pancasila can be squeezed into mutual cooperation, including the principle of belief in one God. The philosophy and practice of mutual cooperation can be dominantly found in the development of Pancasila. An extreme practice was by the time Soekarno promoted the concept

of 'Nasakom', a combination concept of Nationalism, Religion and Communism in order to accommodate those three political mainstreams in Indonesia. However, this concept was widely rejected by many Muslim leaders in Indonesia. Further, Anshary (1957) argues that Pancasila has no soul to encourage people to enjoining the rights and forbidding the evil.

However, before the constitution assembly came up with the final result of Indonesian ideology, Soekarno (1945) as the president of Indonesia, issued a decree of legitimating Pancasila as a national ideology. As Pancasila has been decreed as the national ideology, the ruling regimes start to play significant role to 'harmonize' the religious interest with the national interest. This 'harmonization' process is not only in the area of politics e.g. the dismissal of 'Masyumi', a progressive Islamic party to participate in the political area, but also in the area of religious belief e.g. the encouragement of participation in celebrating other people's religious holiday like having 'Natal Bersama' (Christmas Together).

The culmination of this harmonization process is the obligation for every organization in Indonesia to explicitly declare Pancasila as the foundation of the organization or popularly called as 'azas tunggal' policy (Syarbaini, 2001). This policy is actually rejected by most of the Muslim organizations in Indonesia, but since the political pressure by President Soeharto was so strong, finally they accept this policy. However, there are still some progressive organizations which do not apply such policy in their organizations .e.g. Indonesian Muslim University Student Association (HMI) and Indonesian Muslim High School Student Association (PII).

The nationalistic spirit of Pancasila, is not only reflected in the government policy towards the political affairs but also towards the accounting education and practices. The policy on accounting education and practices was directed to find an alternative in replacing Dutch accounting. Through active links between Indonesian and American universities, Indonesia has moved closer towards the use of US accounting practices (Diga and Yunus, 1997). In his doctoral thesis, Hadibroto (1962) one of an early generation of Indonesian accounting academicians strongly advocated the 'pragmatic approach' prevalent in the US, to be more appropriate for the Indonesian environment rather than the Dutch's.

During the period from 1960 to 1975, an increasing number of tertiary institutions in Indonesia, began to shift their accountancy programs from the Dutch to US system. This shift culminated in 1975, by the decision of the Ministry of Education and Commerce, mandating that accounting education in Indonesia to be modeled solely on the US system (Diga & Yunus, 1997).

Along with the closer relationship with the US accounting practices, in 1967, a US accounting firm, Arthur Young was allowed to operate in Indonesia as correspondent accountant of Santoso Harsokusumo accounting firm. Then in 1971, some other foreign accounting firms came to operate in Indonesia as the correspondents as well, such as Price Waterhouse, Coopers and Lybrand etc. (Abdoelkadir and Yunus, 1994). Earlier to this development, in 1957, for the first

time Indonesia had established a professional accountancy body namely Ikatan Akuntan Indonesia (IAI). Then, in 1973 the IAI adopted three sets of US accounting standard i.e. Accounting Standards, Auditing Standards and Accountant Code of Conduct. Later, in 1994 National Congress, IAI endorsed the use of International Accounting Standard (IAS) as a basis for domestic financial accounting standards (Diga & Yunus, 1997).

Islamization Process in the Contemporary Setting

Unlike the declining success in the political area, the Islamic movement in the education area has gained some improvements. The rate of illiterate has decreased significantly from 90 % of the Muslim in the 1945 to 20% in the 1990's. This improvement is also followed by the improvement in the number of Islamic oriented intellectuals in the national levels as there are more and more Muslims from the 'pesantren' (Islamic School) background could reach the university level of education (Maarif, 1993). Meanwhile, Maarif (1993) asserts that there is also a slowly shift from the 'Abangan' Muslim (Muslims who are loosely practicing Islam) towards the 'Santri' Muslim (Muslims who are strictly practicing Islam). This process, according to Maarif (1993) runs naturally and cannot be stopped by any parties even from those who do not like Islam growing in such a way in Indonesia. In describing the development of Islam in Indonesia, Nakamura (1976) notes that, it is far from a faded religion but more towards as a vital living religion for the Indonesian.

Some large Islamic organizations such as Muhammadiyah and Nahdlatul Ulama which have been already established since the beginning of twentieth century have a significant role in the providing education for the Muslims nationwide. Muhammadiyah for instance, a leading Islamic organization in Indonesia, has established thousands of education institutions ranging from play groups level to the university level, whereas currently it has already had more than thirty universities in all over Indonesia.

Besides the efforts by the established Islamic organizations, since 1980's, an extensive effort has also been done in a small scale by Indonesians who have graduated from the Islamic Schools in the Middle East. Although in the small scale of activities, this movement has been successfully brought closer, the ideas on the Islamic revitalization from Muslim thinkers in the Middle East like Hasan Al Banna, Sayyed Quttub, Yusuf Qardhawi etc, to the Indonesian student discussion forums e.g. the idea of and the consciousness on taking Islam as a way of life.

Islamization process on Accounting Education and Practices in Indonesia

The development of the Islamization process in the Indonesia as we have already discussed above has resulted in the movement on Islamization process in the education system and as well as in the business practices. In this context, then the Islamization of accounting in Indonesia is being developed in both education and business practices area.

Islamization in Business Practices and Accounting Profession

In business practices, the concern on the development of Islamic accounting arises along with the development of Islamic banking in Indonesia. The establishment of 'Bank Muamalat Indonesia', the first Islamic bank in Indonesia implies the need for a specific accounting system to support Bank's operation, whereby there is a significant differences between the operation the Islamic Bank and the conventional Banks (Karim, 1999). Badawi (1986) notes that, unlike the conventional Bank, the Islamic Bank is required to keep certain transactions separate because there will be a problem at the end on how to share the profit between the shareholders and the depositors. Since Islamic Bank is not based on the interest rate, it has to wait until the transaction is completed and at the end of the year how much each of the group will receive their profit, can be decided.

In the year 1998, according to Arifin (1999), there were more than a thousand Islamic Financial institutions in Indonesia, consisting of 1 commercial Bank (Bank Muamalat) , 73 rural banks, 1300 informal credit institutions (used to be called Baitul Maal Wat Tamwil), 2 Insurance companies, and 1 mutual fund. Later during the economic crisis another commercial bank was established namely Bank Syariah Mandiri and there are quite a lot of conventional commercial Banks established Islamic banking unit such as Bank Negara Indonesia Syariah, Bank Danamon, Bank Bukopin and Bank IFI. Then at the end of the year 2002, for the first time a syariah based bond was launched in Indonesian capital Market by Indonesian Satellite Company (Indosat).

To respond to such development, especially in the banking industry, Indonesian Institute of Accountants (IAI) has issued an accounting standard for Shariah Banking in Indonesia namely Statement of Financial Accounting (PSAK) no 59 in May 2002. This standard, according to Wibisono (2002) has been established through a significant adaptation on the standard issued by Accounting and Auditing Organization for Islamic Financial Institution (AAOIFI) in Bahrain. Meanwhile, currently an auditing standard for the Islamic Banking is also in the process of formulation by the IAI by also referring to the AAOIFI standards. Consequently, the development of Islamic accounting in Indonesia is following the approach of AAOIFI. i.e. based on the contemporary accounting based approach. This approach would adopt the Western financial accounting currently available that are permissible for Islamic business organizations and exclude those which violate the *Shariah* precepts. According to Anwar (1987) this approach is basically problematic as the output would still contain un-Islamic assumptions while the norms and hypotheses on which the original models are retained even though partial adjustment has been made by allocating some Islamic components in it.

Islamization Process in Accounting Education in Indonesia

The islamization of accounting education in Indonesia is being formally conducted by the Islamic background universities. In Yogyakarta province for

example, there are six Islamic background higher education institutions, which have accounting department providing bachelor degrees. They are, Universitas Ahmad Dahlan, Universitas Muhammadiyah Yogyakarta, Universitas Islam Indonesia, Universitas Cokroaminoto, STIE (College of Economics) 'Widya Wiwaha' and STIE (College of Economics) 'Syariah Banking Institute'. At an early stage, this process was conducted by introducing some Islamic related subjects to the students of those institutions. This policy was possible because the Indonesian government recognized both the national and local content of curriculum. In terms of the local content of the curriculum, the university is allowed to determine the subjects and the number of credit hours for the particular subjects. Recently, the higher education authority has given a higher portion of credit hours to any university to develop their local curriculum content. However, there is still a general regulation that requires two credit hours minimum provided for the religious education subject in any program at the university level. In this case, the conventional background institutions mainly take the minimum requirement.

In practice the decentralization of local content curriculum has resulted in variety of subjects and number of credit hours for Islamic related subjects provided by the Islamic background of institution. Universitas Ahmad Dahlan for instance provides 11 credit hours, meanwhile Universitas Muhammadiyah Yogyakarta, Universitas Islam Indonesia and STIE 'SBI' provide 10 credit hours and then Universitas Cokroaminoto and STIE Widya wiwaha provide 6 and 4 credit hours respectively. Due to the limited resources on Islamic accounting, those Islamic related subjects are still in general and not extensively touch on Islamic accounting yet. However, from the variety of Islamic related subjects offered, almost all of the Islamic background universities provide Islamic Economics for their accounting students. If we refer to the discussion of Islamic accounting, Islamic economics can be considered as the backbone for developing Islamic accounting as Hameed (2000) asserts that different economic systems lead to different accounting. Therefore, it can be inferred that they have already provided the required knowledge for the further development of Islamic accounting. However, to some extent, those universities have tried to develop Islamic accounting through discussions and publications. STIE Widya Wiwaha for instance, has initiated a regular discussion on Islamic economics and accounting issues, Universitas Muhammadiyah Yogyakarta has already published a handbook on the Qur'anic verses which relate to accounting issues and Universitas Islam Indonesia publishes a journal which encourages articles on Islamic accounting. Along with the development of Islamization in business practices, such efforts of the education institutions will possibly continue to be developed in the future.

DATA AND METHODOLOGY

Population and Sample

This research was undertaken in year 2002 and used Muslim Accounting Academicians (MAAs) in Yogyakarta Province as the research population. The main reason of choosing this province was because the universities in this province are established with a variety of organizational backgrounds, which could represent the variety of ideas and values evolving in Indonesia. Some universities are recognized as actively internalizing Islamic values in their curricula e.g. Universitas Muhammadiyah Yogyakarta and Universitas Islam Indonesia. Some others are recognized as active universities in promoting nationalistic values such as Universitas Veteran Yogyakarta and Universitas Janabadra. One university 'Universitas Widya Mataram' is known as actively promoting traditional cultural values. There are also some universities established by Catholic and Christian missionary organizations e.g. Universitas Kristen Duta Wacana, Universitas Atma Jaya Yogyakarta and Universitas Sanata Dharma. Since there is no Muslim accounting academicians in those institutions, they are not included in the sample research. The total number of Muslim accounting academicians in this province is 235 persons working at 18 higher education institutions. In this research, the researchers had distributed 161 questionnaires and 87 of them were successfully collected. Seventy-six of the questionnaires were collected personally, while the rests were posted by the respondents. This research achieved more than 52% response rate in total and almost the same response rate was obtained for both the Islamic and conventional background of institutions. Fifty-six respondents or 64% of total samples are from the conventional background and the other 36% are from the Islamic background institutions. This proportion is almost similar with 70:30 proportion of the number of MAAs in conventional background institution to the number of MAAs in Islamic background institution,

Data and Data Collection

There are various data required in this research. The primary data are data on the respondent's demographic information and the data on his or her perceptions on the Islamic accounting. These primary data would then be processed to answer the research questions of this research. Other data are data on the number of Muslim accounting academicians in a particular institution. These data are needed to determine the size of the population and sample of the research. During the field research, the researcher distributed the questionnaire either directly to the respondents or to the supervisor of the respondents, in this case the head of the accounting department to be handed over to the academicians. Later, one week after delivering the questionnaires, the researcher went back two or three times to collect the answered questionnaires. For uncollected questionnaires, prepaid envelopes were supplied so that the respondents could send them to the researcher by mail.

Hypothesis Development

Hypothesis 1

Conventional accounting has been widely taught in the Indonesian accounting curriculum and used in practice. Therefore the general opinion on conventional accounting perceives it appropriate for any business organizations including Islamic business organizations and Muslim users. However in the literature of the Islamic accounting, a number of criticisms are addressed on the appropriateness of conventional accounting for Muslim business organizations and Muslim users. Hameed (2000) asserts that information produced from conventional accounting is insufficient for Islamic society which should uphold accountability to Allah (as the primary accountability) and to men (as the secondary accountability). Therefore, the uniqueness of Islamic accounting would be to provide other types of information in an integrated manner in the accounting report or statement. Khan (1994) observes that the point of reference is the overall objective of the *Shariah* and not users' rights or needs as claimed by the conventional accounting standard setters i.e. Financial Accounting Standard Board (FASB) in the United States. Therefore, he proposes additional requirements so that Islamic socio-economic objective can be obtained, such as providing true figures of *Zakat* payable, the extent to which justice and benevolence are considered in the organization, treatment of the employees, the impact of the business on its environment and adherence to the Islamic code of ethics.

Therefore, despite of the acceptance of conventional accounting to be appropriate for Muslim society, as it is practice nowadays, there is a possibility of perceiving conventional accounting as inappropriate by Muslim accounting academicians. This situation is hypothesized in the following alternative hypothesis.

Ha: *MAAs in Yogyakarta believe that the financial statement provided under conventional accounting provides inappropriate information for Muslim users.*

This hypothesis was tested by asking the respondents' opinions on some statements regarding the inappropriateness of conventional accounting for Islamic business organizations. Those statements are listed in the following figure.

Figure 1: Lists of Questions

Statement
Financial Statements prepared in accordance with conventional accounting principles:
a. Impede the fair and proper allocation of wealth between different classes of stakeholders, e.g. shareholders, managers, employees and <i>Zakat</i> beneficiaries

Statement

- b. Hinder the making of the appropriate decisions needed to control organizations to ensure the attainment of the Islamic objectives of Muslim business organizations

To answer the questions, the respondents were provided a likert scale answer ranging from 1 to 5 scale.

Hypothesis 2

As already explained above, it can be concluded that there is a different socio-religious setting between the Islamic background institution and the conventional background institution. This in turn could affect the respondents' perceptions on both Islamic and conventional accounting. To hypothesize this situation an alternative hypothesis will be set as follows.

Ha: There is significant difference in perception on conventional accounting between academicians in Islamic education institutions and academicians in conventional education institutions.

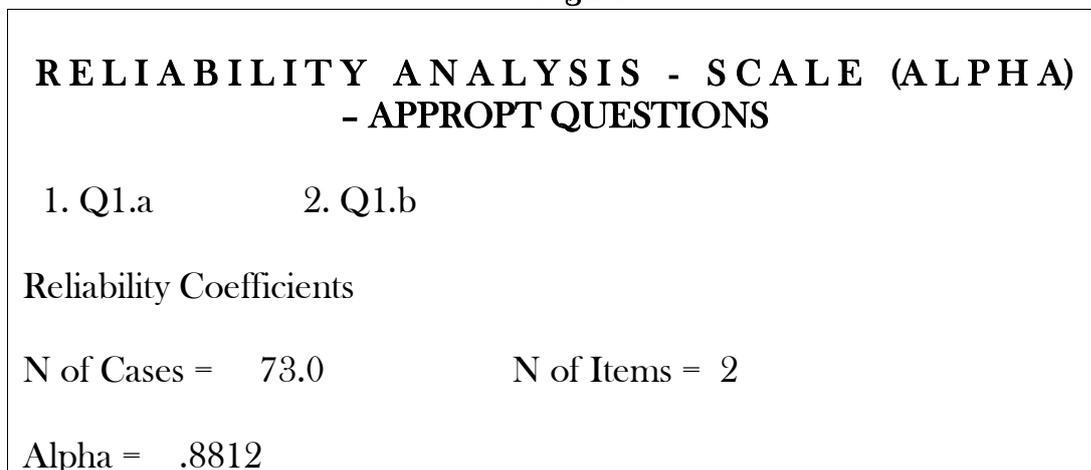
To test this hypothesis, the respondents will be classified into two groups; those working at the Islamic background institutions and those working at the conventional background institutions. Then, by using the respondents' answers as to their perceptions on Islamic and conventional accounting, the means of each group will be compared and analyzed.

RESULTS AND DISCUSSIONS

Reliability and Normality Tests

The reliability of this questionnaire is tested by using the SPSS alpha model. Based on the test conducted, the result shows the Cronbach alpha of 0.8812.

Figure 2





This result is higher than the reliability standard (0.6000) which means the questions provided are reliable in measuring the same variable. Meanwhile in testing normality of the sample variable, the skewness ratio can be applied. The skewness ratio is a ratio between the obtained skewness over the standard error of skewness. If the ratio is between negative two and positive two, the variable can be said to be normal (Santoso, 2001). Based on the test conducted it is found that the skewness ratio of this sample variable is .342 which means the sample distribution is normal and can be used to represent the distribution of an ideal population.

Test on Hypothesis 1

In testing the respondents' perceptions on the inappropriateness of conventional accounting for Islamic business organizations and Muslim users (INAPROPT), questions (a) & (b) will constitute the INAPROPT variable. The formula for calculating the tested variable is as follows.

$$\text{INAPROPT} = \text{mean (Qa, Qb)} \dots \dots \dots (1)$$

In order to test hypothesis 1, the INAPROPT variable was carried out by using a one sample t-test, with test value of three as in the following equation.

$$H_0 : \text{mean of INAPROPT} \leq 3.00; H_a : \text{mean of APPROPT} > 3.00 \dots (2)$$

If the mean of the INAPROPT variable is less than or equal to three, H_0 would be accepted, otherwise H_a is accepted.

Table 1: Mean Value of APPROPT Variable

	N	Mean	Std. Deviation	Std. Error Mean
APPROPT	73	3.0548	1.0259	.1201

By using one sample t-test, it is found that the sample mean of the INAPPROPT variable is 3.0548 and the p -value is .650 indicating that there is more than 5% chance that the sample comes from a population with a mean of ≤ 3.0 .

Table 2: Level of Significance of Testing Hypothesis 1

	Test Value =3					
	T	df	Sig. (2-tailed)	Mean Difference	95% Confidence of the Difference	
					Lower	Upper
APPROPT	.456	72	.650	5.479E-02	-.1846	.2942

Hence the null hypothesis that MAAs in Yogyakarta believe that conventional accounting information is appropriate for Muslim users cannot be rejected.

Test on Hypothesis 2

To test hypothesis 2, a one way variance test will be used in the data analysis. This analysis tool will analyze further the significant level of the difference between two or more groups. In this case, the group will be divided into the Islamic background institutions and the conventional background institutions. The hypothesis will be tested based on the following equation.

$$H_0 : \mu_1 = \mu_2 ; \quad H_a : \mu_1 \neq \mu_2 \dots\dots\dots(3)$$

μ_1 = mean of perception among MAAs in Islamic background institutions

μ_2 = mean of perception among MAAs in Conventional background institutions

Null hypothesis will be accepted if there is no difference between the mean of perception among MAAs in Islamic background institution and the mean of perception among the MAAs in conventional background institutions.

Table 3: Analysis of Variance for Islamic and Conventional Background Institutions

		Sum of Squares	df	Mean Square	F	Sig.
APPROPT	Between	1.978E-02	1	3.093	3.021	.087
	Groups		71	1.024		
	Within		72			
	Groups					
	Total					

By using the analysis of variance, the test shows that the MAAs in the Islamic background institutions perceive the conventional accounting differently from the respondents in conventional background institutions with F value of 3.021 and significance level at .087. The test also reveals the mean for the Islamic background group of 3.3400 and the mean for the conventional background institution of 2.9063. Since the critical mean is 3.0000, we could say that the MAAs in Islamic background institution have perceived that conventional accounting is inappropriate for the Muslim users. In contrast to that, MAAs in the conventional background institutions have perceived conventional accounting appropriate for the needs of Muslim users.

CONCLUSION

Different socio-religious setting in the Indonesia has formed accounting differently in its historical development. This situation is also found among

accounting academicians in Yogyakarta Province, Indonesia. Although in general there is a weak consensus among them on the inappropriateness of the conventional accounting to provide appropriate information for Muslim users, it is found that there is different perception between the Islamic background institutions and the conventional background institution. In this case the MAAs in Islamic background institutions perceive that conventional accounting is inappropriate for Muslim users but MAAs in the conventional background institutions perceive that conventional accounting is appropriate for the needs of Muslim users. This finding shows that secular education is more successfully internalized in the conventional background institutions rather than in Islamic background institution. This means that a different socio-religious setting has played an important role in shaping a Muslim accounting academician's perception towards the secular conventional accounting.

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