TRUST (AMANAH), THE DIVINE SYMBOL: INTERPRETATIONS IN THE CONTEXT OF ISLAMIC BANKING AND ACCOUNTING PRACTICES

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Accepted for Presentation at the Fourth Asia Pacific Interdisciplinary Research in Accounting Conference 4 to 6 July 2004 Singapore
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ABSTRACT

The aim of the study is essentially to interpret trust as a divine symbol in the context of Islamic banking businesses and accounting practices. The study utilises “extended” symbolic interactionism as an instrument of analysis. It is symbolic interactionism that has been combined with triangle concept of (Islamic) faith, knowledge, and action.

In the context of Islamic banking businesses, the result of the study indicates that the interpretations of trust are reflected in setting Shari’ah Supervisory Boards (and Shari’ah Bureau), getting rid of interest-based system, applying profit-loss sharing and zakat schemes. In the context of accounting practice, trust is interpreted as accountability in the sense that trustees should be responsible for shareholders, stakeholders, society, and God. Other implications are also found on the additional reports of the Islamic bank financial statements.

Keywords: trust, symbolic interactionism, shari’ah.
1. INTRODUCTION

During the last two decades, some researchers have paid attention to the study of the integration of religion (Islam) and secular knowledge in the arena of economics (for example, Iqbal and Khan 1981; Maududi 1984; Jalaluddin 1991; and see also Ahmad 1980) and accounting (for example, Abdel-Magid 1981; Gambling and Karim 1986; Alam 1991; Hamid et al. 1993; Baydoun and Willett 1994; see also Triyuwono 1997; 2001).

This has had remarkable implications for Muslim economic dealings. It is evident in the emergence of some Islamic banks and financial institutions in Muslim and non-Muslim countries (Karim 1990a; El-Ashker 1987). Not only the fields of economics and accounting guide and affect the operation of economic institutions, but religious teachings also have practical implications for accounting practices (Abdel-Magid 1981; Karim 1990a). This fact is also a clue to the insight that accounting may actually be influenced by situations (i.e. cultural, social, economic, political and legal settings of society) in which it is practiced (Hopwood 1978, 1983; Alkafaji 1983; Hofstede 1987; Schreuder 1987; Chua 1988; and Perera 1989).

Hamid et al. (1993) and Baydoun and Willett (1994) look upon Islam as a cultural element which may have powerful potential in crafting accounting practices and in contributing complexity to accounting harmonisation. In this regard, Hamid et al. (1993) argue that the central point of Islamic teachings in respect of the business ethos lies in the prohibition of riba (interest) and alternatively encourages the implementation of more acceptable modes of financing and business structure such as musharakah (partnership), mudharabah (trust financing), and murabahah (the combining of credit with cost-plus pricing). These modes of financing and business structures have already been accepted and practiced by Islamic banks and financial institutions (Abdel-Magid 1981; Karim 1990a).

Accepting religion as a cultural element has an influence on moulding accounting practices, Baydoun and Willett (1994; see also Triyuwono 1997; 2001), by respecting the culture-based societal value dimensions of Hofstede (1980) and Gray (1988), take the general issues of measurement and disclosure of accounting information as the entry point to elaborate "Islamic accounting theory" and suggest a technically basic form of Islamic corporate report. They propound that the "Islamic corporate report should consist of a multi-column financial position statement showing original and current values, a value added statement which articulates the position statement and a funds or cash flow statement which, together with the other two statements, 'covers' the firm's social activity cost database" (1994, 24). Even though this work is prescriptive in its essence, Baydoun and Willett (1994) have indeed contributed a concrete and "practicable" framework for the corporate report alongside other works, such as the works of Gambling and Karim (1991) and Alam (1991), which are basically attempts at "Islamising" accounting knowledge.


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[^1]: Shari’ah is Islamic teaching, thus, shari’ah accounting is an accounting that is based on Islamic teachings.

[^2]: Zakat is similar to tax, but it is based on Islamic teaching.
Those works in general have made significant contributions to enlarging accounting discourse and knowledge; and in particular the construction of "shari'ah accounting" which may play a very considerable role in Muslims' and even non-Muslims' (Karim 1990a) economic dealings. However, the works have overlooked the concept of trust (amanah) as something entrusted to human being by God. As a consequent of accepting the trust, human being should adhere to the guidance of God (i.e. Shari'ah). This study attempts to interpret trust perceived by the key persons of Bank Muamalat Indonesia (BMI) and Bank Perkreditan Rakyat "Berkah Amal Sejahtera" (BPRBAS). The interpretation is conducted in two parts, firstly, the interpretation of trust as a divine symbol in the context of Islamic banking businesses; and secondly, the interpretation of trust in the context of accounting practices.

2. "EXTENDED" SYMBOLIC INTERACTIONISM: THE METHODOLOGY

Symbolic interactionism is a perspective of social psychology which attempts to conceive the nature of interaction in a society, that is, the dynamic social activities taking place between individuals. The very distinguished premises of symbolic interactionism are (Blumer 1969, 2):

1. human beings act toward things on the basis of the meanings that the things have for them;
2. the meaning of such things is derived from, or arises out of, the social interaction that one has with one's fellows;
3. these meanings are handled in, and modified through, an interpretive process used by the person in dealing with the things he encounters.

These premises become the underlying bases for studying social reality, especially the study of human life and human conduct, and for enriching social sciences.

Symbolic interactionism, however, is less concerned with human nature (in the sense of the religious self), the sort of knowledge which is useful to shape an individual's mind, and the purpose of the individual's actions. It pays attention to a limited extent to what merely can be reached by limited senses and minds. Hence, it fails to capture the whole meanings of the nature of social realities constructed by a society. Moreover, its premises are not based on assumption of the existence of a religious self.

A religious self often interprets symbols (such as, objects, words, phenomena, concept, business, accounting, and so forth) based on religious tenets. For the purpose of this study, symbolic interactionism need to be extended, that is by integrating an Islamic concept of faith, knowledge, and action. This is done, because, the study attempts to understanding a business reality that was constructed by religious self.

The concept of faith, knowledge and actions are applied to this study to eliminate the weaknesses of symbolic interactionism and to extend its potentiality. By doing so, it can be utilised to catch the meanings of social reality (interaction) in a society. It functions as the other ("generalised other") which shapes the self in a certain direction, that is, the religious self. This sort of self is the highest development level of the self which differs from the concept of symbolic interactionism.
Faith is the cornerstone of every individual’s daily actions; it is the prime source of a Muslim's inspiration and aspirations. Abdalati (1975, 53) intelligently states that faith has a very close dependence upon action; he argues that

... Faith inspires man to be constant in his devotion and persistent in his practice. This is because the interrelationship between Faith and practice is very strong, and their interdependence is readily understandable. A person without Faith has no real source of inspiration and, consequently, has no worthy objectives to attain or even aspire to. The life of such a person is meaningless, and he lives from day to day, which is no life at all. On the other hand, the person who confesses Faith but does not practice it is a self-deceiving person, and in fact has no Faith, in which case he is no more than a helpless straying wanderer.

Undoubtedly, Abdalati’s notion regarding faith explores the existence of a reciprocal association between faith and action. In other words, action as an expression of faith is a way of nourishing and strengthening his or her faith; and the nourished and strengthened faith will in turn motivate a true action.

However, it is worth remembering that between faith and action there is something which functions to bridge the two components, namely, knowledge. Knowledge is able to motivate an individual to shape the image of his or herself, that is, the self-recognition of that individual as a viceregent of God. This self-recognition indeed may pose the individual in a certain stance that becomes the central base of how he or she perceives his or her environment and social objects or situations and of how he or she takes actions as responses to such things. This argument apparently discloses the triangle-link of faith, knowledge and action.

3. TRUST (PART 1), THE DIVINE SYMBOL:
INTERPRETATIONS IN THE CONTEXT OF ISLAMIC BANKING BUSINESSES

Arif’s (1985) notion that all natural resources are entrusted to human beings (which are beneficial for them to carry out their mission, that is, to disseminate mercy based on true justice [Mas‘u’di 1991]) and consequently should be managed under the consent of God (see also Musleh-ud-din 1980; Siddiqi 1980, 1982; Maududi 1984), leads us to the very important perception that the symbol may have significant (social and economic) meanings. The symbol distinctly deconstructs the concepts of full ownership rights, which has been commonly accepted under the capitalist system, and the total elimination of ownership rights which has been adopted under the socialist system. This discarding may give birth to a new perspective and alternative way of seeing an individual's property (see Setiabudi and Triyuwono (2002).

Islam perceives ownership as a trust (an amanah). There is no an absolute ownership for human beings, rather it is relative. A part of one’s assets is a right of other people. A part of the assets is levied in the form of zakat.

Trust is one symbol; the interpretation of it may vary from one individual to another. We will look at how the individuals of BMI and BPRBAS interpret the symbol; Maman W. Natapermadi, the Financing Director of BMI, has commented on the trust as follows:

... you know, this bank [BMI] is not [fully] a charity bank,... I don't know why our people sometimes presume that our bank here is the charity bank. Our concern is like
a conventional bank, we have to earn profits, because we have got *amanah* [trust] from shareholders to manage their money properly... one thing, you have to remember, which differentiates our bank from the conventional ones is that the operations of our bank here are based on *Shari'ah*...

A similar comment is also expressed by Hasbi M Hasyim, the President Director of BPRBAS; he remarks

... of course, like a normal [conventional] bank, we have to be profit-oriented. We're doing this, since we have *amanah* [trust]; that's why we have to work hard for this... we have to be responsible for shareholders and society at large, and, of course, our God.

We can see clearly, based on these two comments, that the meaning of *amanah* to some extent, more heavily stresses the gaining of profit for the sake of shareholders; or in other words, it seems to be self-interest (Smith 1776), self-centred (Ba-Yunus 1991) and egoistic. This is quite possible, as they are, in terms of their position, playing a certain *role* (as businessmen); this role, according to Hewitt (1991, 95), is actually "a place to stand as one participates in social acts" and "provides the perspective from which one acts..." Thus, their way of interpreting the symbol is not detached from their perspective as businessmen. They see the trust as something related to, amongst other things, gaining profits.

However, it is worth considering that the phrases "based on *Shari'ah*" and "... be responsible for ... our God" have implicit and substantial meanings which, first, encourages the retrieval of normative values for dealing with economic activities, and of the altruistic characteristic of *self* (Siddiqi 1991) to be expressed in communal economic dealings. This is so, since, in the view of *Shari'ah*, business is not regarded for its own sake, rather it is a sort of worship that includes not only the economic dealings *per se*, but also the sense of helping others (society at large), of taking care of the environment, and of loving God. In other words, it indicates the presence of spiritual-material, sacred-profane, and social-natural aspects of individuals in carrying out economic activities (see, for example, Madjid 1987, 245-7). Secondly, the phrases indicate the existence of the individuals' consciousness about their role as viceregent of God and about the ones who have been given a trust by God. Consequently, they should play the role according to the rules (or norms) of God.

This fact might rather contradict the view of the symbolic interactionist, Hewitt (1991, 93-4), who argues that individuals "follow and make use of norms, ... but for the most part our moment-to-moment conduct as we 'play' roles does not depend upon efforts to conform to norms, and our attention is not focused on obligations or rights." This means that there is a recognition of the presence of norms, but the actions of the individuals or even intentions do not refer to the norms. In the view of a Muslim, however, conduct and attention should always conform to Islamic norms. That is why the way of doing business, as we will see, in BMI and BPRBAS, always refers to *Shari'ah*, and why the banks have furnished themselves with a board which specialises in *Shari'ah*.

4. **Trust: Its Implications for Doing Islamic Banking Businesses**

As a result of the interpretation that the trust is basically something which should be done with the consent of God, the key individuals of both BMI and BPRBAS employ a part-time independent instrumentality functioning as religious adviser, commonly known as a *Shari'ah* Supervisory Board (SSB).
Shari'ah Supervisory Board (SSB)

The SSBs of BMI and BPRBAS respectively consist of five and three ulamas as members of the Board. These Boards, which basically have the prime duty of ensuring that the operation and the "products" of the banks adhere to the precepts of Shari'ah (Karim 1990a; 1990b), have also been employed by other worldwide Islamic banks (see Karim 1990a). At the end of the financial year, as stated by Karim (1990a), the SSBs of Islamic banks issue a special report that informs the users of financial statements that the operations of the bank have adhered to Islamic teachings and which "is published with the external auditor's annual report;" thus, the Board is involved in ex ante auditing, ex post auditing, and checking the calculation and payment of zakat (Briston and El-Ashker 1986). Additionally, the Board may also give advice to financial auditors and management regarding accounting treatments (Briston and El-Ashker 1986) "which require departure from generally accepted accounting principles in order to comply with" the Shari'ah (Karim 1990a, 300).

However, we will not find all these "ideal" duties of SSB applied in both BMI and BPRBAS, because, at the moment, the banks only employ the Board to confirm whether or not the banks' financial transactions comply with the Shari'ah. In doing so, the Board of BMI conducts a monthly meeting to discuss all banking issues related to, for instance, the launch of new products, transactions with other conventional banks, and so forth, and to make decisions whether or not such things are permitted by the Shari'ah by issuing fatwa (a formal legal statement, judgement or view).

Since the ulamas only "specialise" in the knowledge of religion, it is necessary for BMI to create an organisational unit that may assist it in comprehending economic issues; the unit is called the Shari'ah Bureau. In this regard, Muhammad Syafi’i Antonio, the Head of this Bureau, explains,

...to link a communication between SSB and Directors in terms of, for example, operational control especially in its appropriateness with Shari'ah, new products, modification of old products, relation with fatwa foundation of international Islamic banks, and other overseas Islamic banks...of course, SSB cannot do all these by itself. For this reason the Shari'ah Bureau acts as a mediator between the SSB and Directors.

...in my experience, I find a gap among our intellectuals here. Some guys here know much about banking and economics, but they lack knowledge of Shari'ah, while, ulamas, on the other hand, are expert in Shari'ah [knowledge of religion], but they're not familiar with the knowledge of banking and economics. That's why, to solve this issue, the Shari'ah Bureau acts as a bridge between these two groups.

So the main role of the Shari'ah Bureau is to eliminate the gap of thought by, for instance, (among individuals involved in BMI) translating the "language" of those who are expert in Shari'ah to the "language" of banking experts, or vice versa. The role of the Shari'ah Bureau becomes very important when BMI, for example, makes a blue print for launching new products.

Unlike BMI, BPRBAS has not set up any unit similar to BMI's Shari'ah Bureau. This is because BPRBAS is much smaller and its operations are much simpler than BMI; moreover, it operates in rural areas. So there is no need to set up such a unit. In addition, according to Hasbi M Hasyim, the SSB will work when BPRBAS finds some issues which need clarification under the view

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3 Ulama is a religious (Islamic) scholar who is commonly known as an informal Islamic leader in Indonesian Muslim society.
of Shari'ah and asks for the Board's fatwa about the issues. In this process, Hasbi M Hasyim acts personally as "Shari'ah Bureau".

Zakat, Infaq and Shadaqah (zis) Funds

Trust, as a meaningful symbol, also has the interpretation that within entrusted possessions there is a right for other individuals to gain benefits from them. In Islam, this right is symbolised by the terms zakat, infaq and shadaqah. The implications of this arise in the banks' decision to act as "charity" banks as remarked by Zainulbahar Noor, the President Director of BMI,

...this bank is different from the other conventional ones, since it has two sides; first it's indeed profit-oriented, but, second, it's also a charity bank. As long as this bank is able to collect zis funds, it may productively act as a charity bank by giving, for instance, qardul hasan [benevolent loans]. This is possible, since the zis funds have no cost of funds...

A similar comment is also made by Hasbi M Hasyim of BPRBAS who notices that,

...actually we render services not only for business affairs, but also for social ones. That's why [related to the social affairs] we ask for our society to transfer their zis payments to our bank here. Insha-Allah [with Allah's permission] after the funds are pooled here we'll distribute them in a productive way...

Noting these two comments, we may comprehend that the zis funds are like (social) trust funds (Abdel-Magid 1981; Gambling and Karim 1986). They are the trusts which are entrusted by society (muzakkis) to the banks; and the banks themselves have no right at all to gain benefits from these funds, except in a productive way, by distributing them to beneficiaries as stated by Shari'ah (see also Abdel-Magid 1981).

This social commitment of the banks depends heavily upon the ability of the banks to pool zis funds from society. The more zis funds that can be collected, the more will be the role of banks to be actively involved in social affairs. In doing so, BMI has tried to collect these funds from outside and inside the organisation (namely, from its employees), and even from its shareholders and its own profits. This policy has been accepted by SSB and stated in its fatwa. The fatwa<sup>4</sup> declares that,

[t]he shareholders of PT. Bank Muamalat [BMI] of which their share values are equal to or exceed nisab [minimal zakatable amount as stated by Shari'ah] and haul [one year period] are accountable to pay zakat.

PT. Bank Muamalat will pay 2.5% zakat of its own profits for every one year on behalf of all shareholders.

BPRBAS also has the same policy; however, as justified by Hasbi M. Hasyim, "we don't pay any zakat from our own profits, because our profits, at the moment, haven't reached the minimum zakatable amount [nisab]."

This phenomenon is the fact that indicates the existence of a puissant influence in interpreting the symbols based on the perspective of faith and knowledge in the context of business dealings the realisation of which will not internally find any difficulties, because, among other things, the individual

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<sup>4</sup> See SSB's fatwa BMI-07/FAT-DPS/VI/93 point 1 and 3.
has diametrically opposite tendencies, namely self-centred (egoistic) and self-sacrificing (altruistic) (Ba-Yunus 1991) which are powerful enough to support the individual to gain profits and at all times to bestow some parts of his or her wealth to others. The absence of these characteristics will lead the individual to difficulty in doing such things. A well-known painter, for instance, will not be able to draw an aesthetic painting without having any talent for drawing; or a good singer will not be able to sing a lovely song without any talent for singing. Using the same logic, it is not surprising when Adam Smith (1776, 27) said: "it is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest." And it is not strange when he also said,

[h]ow selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it, except the pleasure of seeing it. Of this kind is a pity or compassion, the emotion which we feel for the misery of others, when we either see it, or are made to conceive it in a very lively manner. That we often derive sorrow from the sorrow of others, is a matter of fact too obvious to require any instances to prove it; for this sentiment, like all the other original passions of human nature, is by no means confined to the virtuous and humane, though they perhaps may feel it with the most exquisite sensibility (Smith 1853, 3).

These comments provide more clear evidence that indicates the necessary presence in human nature of egoistic and altruistic features, the combination of which is the factor, in, for example, the economic theory of Islam and the genuine consciousness of applying it in real life, that may lead to a (social) economic transformation of a society (see, for instance, Gilani 1980, 135). This combination in fact has been moulded solidly on the businesses created by BMI and BPRBAS.

**Islamic Sorts of Business:**

*Getting rid of Interest and Alternatively Imposing Zakat*

The businesses of BMI and BPRBAS are not separate from the interpretation and the acceptance of the divinely philosophical interrelated symbols of the Islamic economic system and the natural characteristics (egoistic and altruistic) of human beings as we have mentioned above. In essence the symbols provide a moral and ethical basis for conceptualising and implementing the economic system (and which may be distinguished from its two counterparts, capitalism and socialism) without neglecting basic human nature. In this study, we would like to highlight and specify some aspects of finance in the system, namely, the prohibition of interest (riba), the imposition of zakat, and the application of the profit-loss sharing system (musharakah and mudharabah).

As is known, Islam uncompromisingly disagrees with the practice of interest, because, as some scholars have argued (for example, Siddiqi 1982; Maududi 1984), it is an unfair practice which may advance the misery, selfishness, callousness, inhumanity and greed (Maududi 1984, 165) of a society; whereas Islam conversely has a mission to spread mercy based on true justice. Interest only creates a condition in which individuals (capitalists) tend to accumulate wealth for themselves (Siddiqi 1982, 125-6). This condition in turn gives rise to a disturbance in the flow of wealth in society and diverts the stream of money from the poor to the rich which leads society to destruction (Maududi 1984, 166). To solve this problem Saud argues that

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5 The abolition of interest is clearly declared in the Qur'an 2: 275-6; 278-9; and 3: 129.
the solution to the problem of interest is ingrained in the system of zakat which is the only specific financial "technique" mentioned in Islamic jurisprudence (1980, 78; emphasis in the original).

Taking the same position Siddiqi (1982, 123-4) also rationalises that a sound social order, in terms of eradication of injustice, oppression and all amoral policies, enforcement of justice, and promotion of humane and noble attitudes of society, can be found only by establishing zakat and prohibiting interest. This policy, according to him, not only embraces economic considerations, but also spiritual, moral and even political ones (see Siddiqi 1982, 124; Mannan 1986, 254).

Spiritually and morally, zakat is an act of worship which is beneficial for cleansing and purifying the individuals who pay it. It controls and lessens excessive selfish attitudes of individuals by encouraging and strengthening the actualisation of the feeling of an altruistic, (that is, helping other people) and cooperative attitude in living together (see Siddiqi 1982, 125). In an economic sense, zakat is imposed on all sorts of goods (which have market value) (Saud 1980) including idle and hoarded assets. Consequently, it will certainly escalate the propensity to invest (see also Choudhury 1986, 14). The more wealth is invested in economic activities, the greater will be the development of trade, commerce and industry; this means that under this condition the living standards of society can be lifted and the gap between rich and poor will be diminished step by step.

This theoretical view is the real source of inspiration for individuals in both BMI and BPRBAS for creating a unique operation by the banks and simultaneously for applying the teachings of Shari'ah. In regard to this, the banks also act as social institutions which give especially poor (informal) entrepreneurs financial aid in a productive way. The aid is usually in the form of benevolent loans (Qardul Hasan); it is a sort of loan which does not require borrowers to pay interest or even some parts of profits earned from their businesses, except repaying the principal loan to the banks. This is possible, since the funds lent to the borrower have no cost of fund at all.

Basically, the funds, which consist of zakat, infaq, and shadaqah (zis), may be obtained by BMI and BPRBAS from two sources; that is, from society outside and inside the banks (employees, board of directors, and even shareholders), and from the banks' annual profit. The former is a sort of bank service offered to society; with regard to this service, the banks act as a trustee which obtains entrusted zis funds from society and which is responsible for their appropriate distribution. Unlike BMI which, at this moment, has no special account to pool the funds except in Miscellaneous Liabilities, BPRBAS puts zis funds into a separate account, namely, Trust (Amanah) Saving. The latter is a part of the bank's annual profit which is levied for zakat funds as assigned by Shari'ah. As mentioned before, BMI through its SSB has claimed that the bank's profit that has been earned for one (a year) period is subject to zakat, as has BPRBAS.

Applying a Profit-Loss Sharing System

As a consequence of getting rid of interest, Shari'ah has also prepared another economic instrument which is more just and may be applied to support the zakat system; this is the profit-loss sharing system (Khan 1989). It is argued that the legal validity of this system has been recognised as the traditional practice (sunnah) of Prophet Muhammad (peace be upon him), and as the consensus of the Muslim community (ijma'); one of the main reasons for its acceptance is "the resulting ease and efficiency achieved in the functioning of the economic system" (Khan 1985, 29).
Under this system, the rate of interest is be replaced by the rate of profit; therefore, investment patterns are driven by the rate of profit, since the higher the rate of profit, the higher the total investment. Moreover, a positive rate of profit can resolve the issue of speculative money transactions, since the "ex-ante demand for money capital is reduced to an actual demand and this is based on pure contractual sharing of profits from a joint venture in accordance with relative capital outlays in a given production or investment" (Choudhury 1986, 16). So, it is obvious that the speculative motive money transaction has no place in this system at all. And it is also possible that, by eliminating the speculative demand for money, the rate of inflation will be reduced, because there is only an actual demand for money for real investment.

The presence of this system indicates the existence of "a code of economic ethics combining the material and spiritual values for conduct of" an Islamic economic system (Mannan 1986, 164). This may be, so to speak, the harmonious expression of the self's duo-dimensional characteristic which tries to steer and lessen the excessive selfishness of self (see Maududi 1984). It can be seen clearly if we compare it with an interest-based economic system which basically exercises unfair practices (Siddiqi 1982; Maududi 1984); for instance, when a bank determines a fixed predetermined return on its funds lent to an entrepreneur without any consideration of whether or not the entrepreneur will gain profits. When the entrepreneur suffers a loss, he or she solely bears it; while the other party, the bank, still earns a fixed return from the entrepreneur. In contrast, under a profit-loss sharing system, both parties will gain or bear the profit or loss together. A profit-loss sharing system echoes the values of co-operation, of justice, and of brotherhood which may steer the feeling of self-interest and conversely encourages and strengthen "communal"-interest.

5. TRUST (PART 2), THE DIVINE SYMBOL:

INTERPRETING THE SYMBOL IN THE CONTEXT OF ACCOUNTING PRACTICES

Trust, as a meaningful symbol, may have various meanings for every individual; and each meaning may have different consequences and implications. Maman W. Natapermadi, the Financing Director of BMI, for example, has remarked, "...our concern is like a conventional bank, we have to earn profits, because we have amanah [trust] from shareholders to manage their money properly..." He is inclined to perceive the trust as resources entrusted to BMI by shareholders. This sort of understanding is relatively the same as the common perception of individuals who perceive the presence of an agent-principal relationship arising from the trust. This special (agent-principal) relationship is known in accounting literature as stewardship, or in more general association, as accountability (see Gray et.al. 1991). Under this perception, management of both BMI and BPRBAS are regarded as stewards (agents) to whom suppliers (principals) of debt and equity capital entrust control over a portion of their resources, and as a consequence of getting this trust, the stewards are responsible for preparing financial statements as a report to the suppliers to facilitate their evaluation of the management's stewardship (Whittred and Zimmer 1990, 10; see also Gray et.al. 1991).

A broader impression concerning the trust is expressed by Hasbi M Hasyim, the President Director of BPRBAS who says, "... of course, like a normal [conventional] bank, we have to be profit-oriented. We're doing this, since we have amanah [trust];" that's why we have to work hard for this... we have to be responsible to shareholders in particular and society at large, and, of course, our God." The last sentence of "we have to be responsible to shareholders in particular and society at large, and, of course, our God" has a more extensive meaning which implies that the relationship caused by the trust is not demarcated by the agent-principal relationship as such, rather it is inclined to be in a
broader relationship for which the agent is responsible; and "... be responsible to... our God" has a meaning which involves ethical and moral attitudes.

Benston (1982), in regard to the relationship, argues that the management of a business organisation is accountable to three increasingly inclusive groups, namely, shareholders, stakeholders (employees, creditors, customers, and other parties who have direct contractual and transactional relations with the organisation), and society at large. Under Benston's view of accountability, the interest of the first two groups, shareholders and stakeholders, is assured and served effectively by the "functioning of a free market system in conjunction with an internal and external monitoring system" (Mouck 1994). On the latter point, Benston (1982) points out that the internal and external monitoring system, in terms of publishing financial statements and of externally auditing the statements, is the most important factor that may effectively monitor and control the actions of managers.

**PAI, SKAPI, and PAPI**

**The Accounting "Standards" for Indonesian Banking**

PAI is actually the general accounting standards of Indonesia consisting basically of principles, procedures, methods and techniques for accounting practices. It directs the preparation of financial statements for external interested parties, the principles of which emphasise manufacturing and merchandising companies. Up to the beginning of 1992 PAI could not facilitate the needs of the banking "industry" (which is distinctly different from the two former companies), or the banking businesses which have rapidly increased since 1988.7

To meet the need of banking business, in 1992 Ikatan Akuntan Indonesia (IAI) (the Association of Indonesian Accountants) in conjunction with Bank Indonesia set up SKAPI. The arrangement of SKAPI may be regarded as a solution to serve other interested parties in obtaining more accurate and fair information concerning the financial position and operation of banks,8 and it is also a means for the Government or Bank Indonesia to control the banking businesses in the implementation of, for instance, the monetary and banking policy of the Government.

The establishment of SKAPI as a partner of PAI unquestionably intensifies the influence of accounting standards in moulding banking accounting practices in Indonesia. It is increasingly reinforced when Bank Indonesia then sets up PAPI for the purpose of providing more technical and detailed guidance on realising the application of SKAPI (and of PAI which is identified, by its nature, as a general guide). In general, the aim of PAPI, which consists of guidance for accounting treatment and for preparing financial statements, is to ease the implementation of SKAPI. More specifically, it attempts: a) to assemble principles and accounting practices which are relevant to banking operations as stated in PAI and SKAPI; b) to create uniformity in the implementation of accounting treatment and

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6 PAI, SKAPI, and PAPI respectively stand for *Prinsip Akuntansi Indonesia* (Indonesian Accounting Standards), *Standar Khusus Akuntansi Perbankan Indonesia* (Special Accounting Standards for Indonesian Banking), and *Pedoman Akuntansi Perbankan Indonesia* (Accounting Guidance for Indonesian Banking).

7 In 2002, *Ikatan Akuntan Indonesia* (the Association of Indonesian Accountants) as accounting body in Indonesia issues PSAK No. 59. It is accounting standard for Islamic banking.

8 See *PAI Pernyataan No. 7 tentang Standar Khusus Akuntansi Perbankan Indonesia* (SKAPI).
of the preparation of financial statements so that it may increase the comparability of interbank financial
statements; and c) to ease the preparation of bank financial statements (BI undated, 1).

In 2002, Ikatan Akuntan Indonesia (IAI) as accounting body in Indonesia, issues
Pernyataan Standar Akuntansi Keuangan (PSAK No. 59), that is accounting standards for Islamic
banking. PSAK No. 59 is much inspired by Accounting and Auditing Standards for Islamic Financial
Institutions (AAOIFI 1998) which is issued in Bahrain in 1998.

PSAK No. 59 is specific for Islamic banking. It is much different with PAI, SKAPI, PAPI
which are actually prepared for conventional banking. Its issuance is conducted to meet the need of
Islamic banking in Indonesia.

From the perspective of a symbolic interactionist, the existence and the role of PAI, SKAPI,
PAPI, and PSAK No. 59 may be perceived as a situation (Charon 1979, 121) in which individuals
may take them into account for "making role" in terms of thinking or taking an action and which may
lead to habitualised action. The issuance of SKAPI and PAPI, for instance, may be regarded as a
unique situation because, it takes very careful consideration for the individual to define it first, before
taking action. However, after the standards have been perceived and adopted, the individuals may
straightforwardly take action "without" involving any thinking activity; thus, it becomes a habitual action,
that is,

... overt action that does not involve covert action... We may be able to "respond"
without thinking, based entirely on past learning, but usually some covert activity enters
in, some definitions of the situation is established by the individual, some analysis of the
past and future is made, and some definition of objects in that situation is done (Charon
1979, 121; emphasis in the original).

Action without thinking, habitualised action, will come forth when the situation is routine (see
Berger and Luckmann 1966, 71) in its nature. Retrieving thinking activity is only needed when the
situation varies from the usual.

However, habitualised action may be able to narrow the individual's choice, and so his or her
future action, as the individuals have taken the routine situation for granted (Berger and Luckmann
1966, 71). In regard to this, empirically the individuals of BMI and BPRBAS have perceived the
accounting standards as taken for granted; Zainulbahar Noor of BMI, for instance, comments9

... we're now, as you know, under the Western accounting system [PAI, SKAPI, and
PAPI], so it's nothing [to do with "Islamic accounting system"]; At the most you'll be
trapped [if you're concerned with whatever the accounting system is] in accounting
entries [technical book-keeping]...; it's [accounting] not a big deal!...

Accounting, as perceived by Zainulbahar Noor, is a matter of a mechanical tool which is
already available, given, and ready for use; it is "nothing to do with it" or "a mere assembly of calculative
routines" (Burchell et.al. 1980). Indeed, this perception and, of course, the situation in which the
application of the accounting standards is enforced have closed creativity tightly. Perceiving
accounting as a matter of a mechanical tool is also apparently comprehended by Hasbi M. Hasyim of
BPRBAS, who says, "... no, we don't have any problem at all with accounting. SKAPI and PAPI are
already available; so we just follow them..." Such perceptions are the real outcome of selves' activity

9 All comments about accounting standards here are uttered before the issuance of PSAK No. 59.
in defining a symbol - accounting; the meaning of which then becomes the basis for the selves to take action on, namely, just applying the accounting standards.

Turning back to the meaning of trust, the above portrayal gives us an understanding that the meaning of trust could be accountability which comes into being as the logical consequence of the presence of the agent–principal relationship and, in a narrower sense, is assured by, among others, publishing financial statements (Benston 1982). However, especially in the act of issuing the financial statements, the individuals of both BMI and BPRBAS have acted to take the existing accounting standards for granted. This, implicitly according to them, indicates that providing and publishing the financial statements by following the existing accounting standards is one form of their responsibility (without necessarily referring to "Islamic accounting standards") and this is, of course, a consequence of accepting the trust.

On another point, it is interesting to note that the phrases "... the operations of our bank here are based on Shari‘ah..." and "... be responsible to... our God" are not narrow expressions. Rather they imply the broader and expressive meaning that accountability is not limited, for example, to the avoidance of malfeasance and illegality, the assurance of adequate procedures and efficiency, the achievement of required standards, goals and objectives, the policy of the goals and objectives themselves (Steward 1984; Goddard and Powell 1994), and to shareholders, stakeholders, and society at large (Benston 1982), but goes beyond these concerns to responsibility (accountability) endowed to God. Thus, the essential meaning of this is that there are moral (ethical) responsibilities that should be met. The form of endowing the responsibility is, of course, different from the other sort of responsibility (accountability) which tends to take the form of the presentation of "formal" reports to certain groups. It tends to be expressed in the form of adhering fairly to certain rules or norms (cf. Hewitt 1991, 93-4) which are a sort of legitimation which "can be both cognitive and normative in character" (Berger 1967, 38).

Legitimation, as further argued by Berger (1967, 38), does not only tell individuals what ought to be, but it often proposes what is. For example, the "ethics" of banking business, expressed in a statement such as, "You ought to adhere to SKAPI for your accounting practice", is obviously legitimating. However, a cognitive assertion about the banking business, such as, "You are under the rule of Banking Act No. 7/1992 and SKAPI is the 'product' of the Act", is also legitimating in a more fundamental sense. Of this, we would say here that legitimation, both normative and cognitive, animates individuals to pay attention to it, and more importantly to act towards abiding by the "norms." To act towards, comply with, and practice, the norms honestly might be regarded as having met moral (ethical) responsibilities, since the underlying essence of the responsibility basically lies in the fairness of applying the norms morally. This sort of perception is consciously comprehended by the key individuals of BMI and BPRBAS in interpreting trust in the context of accounting practices. For them, abiding fairly by the accounting standards (as "norms") is a form of caring for the trust.

**Islamic Values: Are They Crafting Accounting Practices?**

Action as the actualisation of self’s inner qualities, in fact may not be necessarily conceived as a direct reflection of the qualities; rather it is the process of social interaction which means that external symbols, objects or situations may have a very significant role in affecting and directing the self as to how to act and what sort of action will be delivered. Knowledge, in the general sense and as one element of the qualities, is the key factor to interpreting and defining the symbols. (In)sufficient
knowledge about accounting, for example, may lead an individual to a certain sort of action, the quality
of which is implicitly or explicitly portrayed.

Accounting knowledge in the Islamic context (for example, Abdel-Magid 1981; Alam 1991; Gambling
and Karim 1991; Hamid et.al. 1993; Baydoun and Willett 1994; Triyuwono 1997; 2001) today has not yet "reached" its real world empirically; or, more importantly, in the sense that it is understood as "unknown" knowledge by a business society, especially within which this study is undertaken. Consequently, society tends to be indifferent when its members, for instance, encounter Islamic business phenomena and, in particular, it is indifferent to how they interpret the meanings of the phenomena and how they may represent the meanings and communicate them to others in the form of "accounting language." In general, they still think "functionally" and consider that existing accounting (the "norms" or the "myth") is worldwide and generally accepted as "value-free" and thus can be unconditionally practiced in their environment. Indeed, it is not (see, for example, Tricker 1978; Aitken and Gaffikin 1986; Chua 1986; Arrington and Francis 1989); this is because, as it is argued, accounting knowledge is "dependent on the ideology and mores of society" (Tricker 1978, 8), and thus it is not "a mere assembly of calculative routines" (Burchell et.al. 1980).

However, it is important to remember that the "Islamic accounting model" itself, in terms of its development and application, is not so well-applied as Islamic economics. It starts growing and in general is characterised as a prescription (Alam 1991; Gambling and Karim 1991; Hamid et.al. 1993; Baydoun and Willett 1994; Triyuwono 2001) rather than as being practicable.

Even though the Islamic accounting model is still "unknown" for the individuals of BMI and BPRBAS who essentially adopt and practice the Western accounting system, there are, in fact, a few accounting implications found as a direct result and logical consequence of getting rid of interest on the one hand and imposing zakat and a profit-loss sharing system on the other. The implications are not so fundamental, in the sense that they could not transmit wholly the essential and distinctive message, that is, the concept of "trust" in the context of Islamic values, in the form of accounting (language). The implications appear in the form, for example, of the presence of margin and profit-loss sharing revenues or expenses instead of interest revenues and interest expenses, and of certain symbols (terms), such as, Shared-profit Revenue, Shared-profit Expense, Mudharabah Savings, Mudharabah Deposits, and so forth.

The major parts of the accounting practices (which are then expressed in the financial statements), as we have discussed above, are much influenced externally by SKAPI and PAI, even though the above Islamic implications, to some extent, are possibly allowed to be expressed by the standards. It is articulated in the Introduction to the SKAPI (IAI 1992, iii),

[for banks based on the profit-sharing principle, some terms and accounting treatments for certain transactions should befit to the conditions of such banks. Besides this, the matters or transactions which have not been regulated by SKAPI, should refer to PAI.

Referring to this point, there is the possibility for both BMI and BPRBAS to creatively craft their accounting practices. However, since the perception of accounting is inclined to be interpreted as a mechanical tool, the opportunity for obtaining benefits from the SKAPI's message is lost. In short, we could not find distinctive accounting practices in either BMI or BPRBAS, since the external and internal forces were influential enough to drive the accounting practices.
Another development can be found since 2002 by the issuance of PSAK No. 59 that is effectively practiced in 2003. The standards enforce Islamic banks to prepare additional reports – as unseparated part of financial statements. The additional reports are the Statement of Sources and Uses of Zakat, Infaq, and Shadaqah Funds and the Statement of Sources and Uses of al-Qordhul Hasan Funds.

The reports are the expression of the concept of ownership which is perceived as a trust. As we understood, one of the trust implication is a founding of zakat, infaq, and shadaqah funds as has bee practiced by Islamic banks. The funds are levied from its own profits and other outside sources. For the purpose of accountability, there is a need to prepare a statement, i.e. the Statement of Sources and Uses of Zakat, Infaq, and Shadaqah Funds. After collecting the funds, the Islamic banks distribute to micro and small entrepreneurs as a “donation.” For this activity, the banks prepare the Statement of Sources and Uses of al-Qordhul Hasan Funds. These facts indicate that the trust has important implications for the financial statements of Islamic banking.

6. CONCLUDING REMARKS

The study shows that the key individuals of BMI and BPRBAS interpret the trust as something which should be managed under the guidance of Shari'ah. As a result, they install Shari'ah Supervisory Boards (and Shari'ah Bureau) to ensure that their banking businesses comply with the Shari'ah. Further implications of this interpretation in the banking operations are, firstly, that the banks do not implement an interest-based system, rather that they apply profit-loss sharing and zakat schemes.

Trust, in the context of accounting practice, is interpreted as accountability in the sense that trustees should be responsible for shareholders, stakeholders, society, and God. The form of responsibility for the first three groups is "formal" in its features, that is, in the narrow sense of publishing financial statements by following the existing accounting standards as the "norms." Responsibility for God means that the trustees, in preparing and publishing the financial statements, should ethically (morally) comply with the norms (even though, as has been perceived by the key individuals, there is no critical view of what the norms are).

Prior to the issuance of PSAK No. 59, has no significant influence of the elements of financial statements. This is because, the Islamic banks are regulated by PAI, SKAPI, and PAPI which are essentially for conventional banks. Under PSAK No. 59, however, Islamic banks have more complete financial statements as indicated by such additional reports as the Statement of Sources and Uses of Zakat, Infaq, and Shadaqah Funds and the Statement of Sources and Uses of al-Qordhul Hasan Funds.
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