CRITICIZING INCOHERENCES IN THE SHARIA TRANSACTION PARADIGM: THE CASE OF SHARIA FINANCIAL REPORTING FRAMEWORK IN INDONESIA

M. Nur A. Birton
Mahfud Sholihin

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M. Nur A. Birton, *Universitas Muhammadiyah Jakarta, Indonesia*
Corresponding *author:*
Email: nur_birton@yahoo.com

Mahfud Sholihin, *Universitas Gadjah Mada, Yogyakarta, Indonesia*

Abstract

This study aims at first investigating and criticizing the use of “sharia transaction paradigm” and showing the internal incoherences as preamble, foundation, and bond of goals and concepts contained in the body of Sharia Framework for Preparation and Presentation of Financial Statements in Indonesia; second, using *Tahwidi* methodological worldview as the reflection to show external incoherences due to the extensive and holistic Islam goals.

This research used a qualitative approach to examine various logical mistakes and incoherences when investigating “sharia transaction paradigm” concepts and/or proposition in the script of sharia transaction preamble of Indonesia’s Sharia Framework for Preparation and Presentation of Financial Statements. Mistakes and incoherences analysis used the logical induction and deduction pathways; while *Tawhidi* methodological worldview was used to show the “sharia transaction paradigm” incoherences with the other parts of sharia entity operation reporting conceptual framework and more comprehensive sharia goals.

This article found four “sharia transaction paradigm” internal incoherences as sharia preamble (foundation) in Sharia Framework for Preparation and Presentation of Financial Statements. Through *Tahwidi* methodological worldview, “sharia transaction paradigm” failed to coherently bond a number of Sharia Framework elements as one Islamic accounting subsystem and its environments covering the material, morale, and spiritual aspects.

This study is a recent work reviewing and criticizing the use of sharia transactions, especially sharia transaction paradigm to show the Indonesia’s Sharia Framework for Preparation and Presentation of Financial Statements. *Tahwidi* methodological worldview has the chance to substitute sharia transactions and as the foundation to build a new Sharia Framework.

Keywords: Accounting conceptual framework, incoherences, sharia financial reporting, sharia transactions, *Tawhidi* methodological worldview.

Introduction

During the colonial period (the 19th century until the middle of the 20th century), the majority of Muslim countries, except Saudi Arabia and a number of Arabian peninsula countries, were largely forced to accept the colonial legal systems of Western economy [1]. One element of the Western economic system is the existence of usury (*riba*) in various economic transactions. However, after Muslim countries became independent, economic development which is in line with sharia, including the abandonment of *riba*, became the main agenda in the Muslim world [2]because Muslim countries believe that if the usury-contained (*ribawi*) system was not corrected then various objectives of sharia are difficult to achieve [3]. Amid the dominance of the global system, the presence of an Islamic financial system is considered an important "success" for Muslims in "correcting" the *ribawi* global financial system [3]; [4]; [5]; [6, 7]

One of the ways is by adopting the conventional bank operations and including various sharia contracts (*aqd*) justified in Islam, such as transaction, leasing, profit sharing contract, partnership, and equity participation applied in bank operations named Islamic bank [8]; [9]; [10]. This effort is called as "Islamization" initiated by Al-Faruqi, Nashr, Al-Attas; Bakar[11]. [6] named it Islamication, as the correction of Islamization. In a narrower context, in doing the adaptation related to the Indonesian conventional accounting framework, called "shariahization" [12, 13]

However, in the practice, such modification and innovation more frequently follow what are developed in the conventional bank [14]. It is proven, for example, when the *murabahah* (mark-up) financing is done, it is similar to the interest-containing credit in conventional bank, dominating the Islamic bank financing portfolio. This is strengthened with the study conducted by [15] that mark-up financing reaches 86 percent from the total financing provided by the sharia bank in the Middle East, 70 percent in East Asia, 92 percent in South Asia and 56 percent in the Sub-Sahara African countries. In contrast, according to International Association of Islamic Bank [16], less than 200 percent of Profit Loss Sharing can be practiced in sharia bank. Whereas the latest report issued by the World Bank and Islamic Development Bank Group 2017 identifies that profit-sharing based financing is only 5.9%, consisting of 1.7% *mudarabah* (silent partnership) and 4.2% *musharakah* -joint venture contracts [17]. In fact, the existence, operation, or theories of sharia bank are contained in the framework of profit-loss sharing ; this mechanism is believed more in line with the Islamic goals and becoming the equal and efficient system [17]. The study conducted by [18] shows the opposite. Profit-loss sharing mechanism in Islamic Financial Institutions is only considered as a pseudo spirituality practice.

From those contradictive facts, there is a hesitance on the sharia authenticity in Islamic banks [10]; or questioning the sharia legitimation [5, 19]. [2], who observed this tendency in a long term horizon, concluded that the Islamic Financial Agency has metamorphosed itself into "secular" agency. [6] believed that Islamic bank has become the secularization trojan horse in the Islamic financial system. As a result, sharia transaction (*aqad*) becomes problematic and inadequate to become the only sharia parameter [14].

This is the decision–made impacts choosing the sharia transactions with the target of "shariah-compliance". This target is actually not designed to direct the Islamic goals unless to solve the technical problems which are fragmented with short-term orientation [9]. As a simple subset from the operations of Islamic Financial Institutions, sharia transactions have also reduced and covered the comprehensive and holistic Islamic sharia characteristics. As a result, sharia loses its power to direct the economy and business in line with the glorious sharia goals.

To be in line with Islamic Sharia, some researchers tried to restore the weaknesses through both “mechanical approach” and “fundamental approach”. “Mechanical approach” can be seen from the strategies made by [14]stating that sharia transactions are inadequate when becoming the only sharia parameter, thus, it is necessary to add three new parameters: (1) *maqasid al-Shariah*, (2) financial reporting, and (3) legal documentation [14]. The similar approach appears from the ideas given by [6] offering the “Islamication concept” and is claimed to be more responsive as the developed form of “Islamization” approach proposed by Al-Faruqi or Nashr.

More fundamental and promising approach comes from the *maqasid sharia* concept. This concept has a strong basis in Islamic law treasury since intended to achieve more extensive sharia goals [20]. It also has a wider popularity. The study conducted by [21] uncovered the fact. At least there are 62 articles related to *sharia maqasid* in the field of Islamic economy and finance consisting of Islamic banking (19 papers), Islamic economy (14 papers), Islamic finance (7 papers), Islamic financial products (10 papers), and economic development (12 papers) [21].

However, according to [9, 11] *Tawhid* as law and methodological worldview is much stronger than “shari’ah-compliance” or *maqasih* sharia since bringing the deity principle brought during the prophetic missions. *Tahwid* paradigm is believed to be able to become a networking knowledge system and has an organic relation in the world’s system. This methodology also offers an equal and balanced nature’s law as mapped in Al-Quran both specific and general meaning from the world’s system [9]. This methodology can be implemented to explain various expensive Islamic business economy knowledge [9]; including in the study of woman and poor family empowerment [22].

The sharia transaction weaknesses in the Islamic Financial Institutions are also implicated in the Islamic accounting design. This is caused by the contemporary Islamic accounting practice which is built from the Islamic banking practice [23]; [24]; [25]; [26]; [27]. It means that the happening convolutions in sharia transaction-based banking operations implicate to the existence of Islamic accounting. Thus, [25] concluded that the contemporary Islamic accounting does not exist, except the West accounting practices in Islamic banks.

The claim made by [25] was confirmed when the sharia accounting framework in Indonesia adopted almost all Frameworks for Preparation and Presentation for Financial Statement (Conventional Framework) by the International Accounting Standard Committee by “only” attaching 18 paragraphs (par.) of sharia transactions in its preamble, consisting of sharia transaction paradigm (3 par.); sharia transaction principles (12 par.); and sharia transaction characteristics (3 par.). With the capital of preamble or sharia transaction philosophy, “shariahization” made by: accepting the appropriate; adjusting or changing when needed; and refusing or removing if not in accordance with sharia [12, 28]. The result of Conventional Framework shariahization was then named Sharia Framework for Preparation and Presentation for Financial Statement (Sharia Framework).

There is, more or less, a same pattern when Islamic sharia was represented by sharia transaction injected into the Islamic Financial Institution operation as mentioned by [9] to achieve “shari’ah-compliance”. Therefore, by attaching the sharia transaction to the Conventional Framework is inadequate to internally produce one coherent “Sharia Framework” or when related to the extensive and comprehensive Islam goals and systems. Thus, this article aims at (1) investigating and criticizing the use of “sharia transaction paradigm” and showing a number of internal incoherences as the preamble and the body of Sharia Framework; and (2) using *Tahwidi* methodological worldview to reflect the external incoherences related to the extensive and holistic Islamic system.

Literature review

Sharia and sharia contracts

Shariah (sharia) comes from the Arabic word *syara'a* which means road, or road to the water spring. *Syara'a* also means pursuing and explaining various walkways, and can also mean setting (Zaidan, 2008). The word *sharia* and its changes in the Qur'an can be found in three places, namely in *Al Ashura* (42): 21, mentioned as a verb *syara'u*; as a noun, contained in *Al Maidah* (5): 48 mentioned as *syir'a*; and in *Al Jatsiyah* (48): 18 mentioned as sharia.

Sharia is various principles originating from Allah (God) must be adhered by people in making relations with Allah and among human beings. Sharia of Islam is the laws contained in the Qur'an and the *Sunnah* of the Prophet, as revelations from Allah to His Prophet to be conveyed to humans [29]. Here sharia is still, in a broad meaning, covering all Islamic teachings, related to *aqeedah*, morality, worship, and *muamalah*. [3, 30] called it a divine rule so that humans hold onto it in making relations with God, fellow Muslims, fellow humans, the universe, and life. In line with the above arguments, [11] concludes that sharia is a vast and rich world system, as the foundation for all systems, both the scientific system in the universe and the social system and the ways in which they are applied.

However, along with the development of the specialization of Islamic knowledge disciplines, especially in response to the development of the society, the meaning of sharia also developed. In addition to teachings in the Quran and prophetic traditions, sharia also means fiqh decisions derived from these two sources [20]. Sharia is also referred to as the “Islamic religious law” which consists of revelation and understanding or *fiqh* [1]. The challenge of the eternity of sharia occurs when it is reduced to legalistic *fiqh.*

This legalistic tendency continues to be carried out, for example, in the application of *fiqh iqtishadiyah* (economic understanding) which places contracts (*al-‘aqd al-shariah*) as the basis for developing Islamic economic knowledge, including in finance and accounting. Institutionalization of Islamic financial systems, such as Islamic banks, Islamic insurance, Islamic capital markets also shows the legalistic and atomistic approach of sharia. The validity of the contract is only measured by emphasizing the fulfillment of the terms and conditions that regulate the rights and obligations of parties who are contracting [8]. This of course reduces and eliminates the characteristic of the comprehensiveness and holistic of sharia. The impact is that sharia is losing its ability and power to direct economic and business activities in line or consistent with the main objectives of sharia.

Some sharia contracts (*aqad*) recently applied in Islamic Financial Institutions can be differentiated into some schemes, such as profit sharing, buying and selling, leasing, and other contracts[1]. Profit sharing contract consists of *mudarabah* (sharing losses and gains), *musharakah* (partnership among equals) ([31]; [8]); *musharakah mutanaqisah* [32]; buying and selling consisting of *murabahah* ([10, 31]; *istishna* and *salam* [31]; *ba’i bithaman ajil* [32]; leasing contracts (*ijarah*) [10, 31]

Sharia Transaction and the Conceptual Framework of Financial Reporting in Indonesia

In Indonesia, the use of the sharia concept in Islamic economic and financial practices is also biased towards a legalistic perspective. The main references to “sharia legislation” in the aspects of legislation and the rules below it, institutional operations (such as banks, insurance, financial institutions, capital markets, financial instruments) are based entirely on the sharia fatwa of the National Sharia Council of the Indonesian Ulema Council. One thing that stands out is the acceptance of “sharia”, not "Islam", as the identity to be declared in the name of the laws and regulations below them, institutions such as "sharia banks", "sharia insurance", also knowledge or disciplines, such as "sharia economy", "sharia finance", or "sharia accounting". The consideration of why "sharia" identity is more acceptable compared to "Islam" certainly has a variety of socio-historical, political, and long experiences of oppression on Muslims in Indonesia [33]; [26]

Unfortunately, the meaning of "sharia" becomes chaotic when it is derived to the sharia fatwa, the law, and various rules under it. The chaos of the "sharia" narrative can be traced mainly to the use of inconsistent terms, sometimes called sharia principles, at other times called Islamic law (Sharia), Islamic Sharia, or Islamic teachings. Likewise, in its meaning, sometimes widespread, narrowed, evolutionary, incomplete, it fails to provide certainty in its use [12]. This chaos has an impact on the development of Sharia accounting, including the placement of Sharia" in the "Sharia transaction paradigm", "Sharia transaction principles", and "Sharia transaction characteristics" in Sharia Framework for Preparation and Presentation of Financial Statements.

Bank Muamalat Indonesia, the first sharia bank, has operated in 1992 without having the accounting standard in accordance with sharia. The Financial Accounting Standard Board then legitimated the Framework for Preparation and Presentation of Sharia Banking Financial Statements and Financial Accounting Standard number 59 "Accounting for Islamic Banking" in 2002. Giving the name "Sharia Banking" for the standard indicates that the objective of this conceptual framework is for only Islamic banking. Due to the rapid development of various Islamic non-bank entities such as sharia insurance, Islamic finance institutions, Sharia hotels, and Sharia Micro Finance (*Baitul Mal wat-Tamwil*), Framework for Sharia Banking has lost its relevance. Consequently, a new conceptual framework is needed that can accommodate those needs. Finally, in 2007 Financial Accounting Standard Board replaced the industry-based Framework for Sharia Banking with the Sharia Framework for Preparation and Presentation of Financial Statements [34] based on sharia transactions. With the umbrella of Sharia Framework for Preparation and Presentation of Financial Statements (Sharia Framework), Financial Accounting Standard Board of Indonesia Accountants Association issued various Statement of Islamic Financial Accounting Standards, such as *murabahah*, *salam*, *istishna*, *mudharabah*, *musyarakah*, *ijarah*, Sharia insurance, *zakat, infaq, shodaqah*, *sukuk*, *wa'ad* accounting, accounting for waqf .

Tawhidi methodological worldview and Shariah-Compliance

"Tawhid means oneness of God, and thereby, the oneness of divine laws, or unity of knowledge in Islamic epistemology[11]. Based on the Conceptual-philosophy, "*Tawhid*, as law and methodological worldview, presents the primal ontology of the monotheistic unity of knowledge and its relations of organic unification in the world system" [11]. Based on the point of view, *Tawhid* gives the fundamental basis for Moslem's knowledge system in terms of both ontological and epistemological (methodological) aspects. Moreover, according to [16], *Tawhid* method of knowledge has been implemented by theologians, philosophers, and metaphysicians. In many investigations, they have combined various methods, such as empirical-rational method, deduction-induction method, and have not dichotomized between the subjective-objective on reality. Axiologically, *Tawhid* has also covered the aspect of morality and prosperity achievement goal [9]

[9] explains that "*Shariah* and its components, fiqh and fatawa, are not foundational and therefore not methodological origins of *Tawhidi* worldview. So, *Shariah* and discourse on it make sense if they originate in *Tawhidi* as the primal ontological law[9,

11], however, criticized the concept of *Shariah*-Compliance and also *Maqasid As-Shariah*.

Instead, [9] proposed the idea of *Tawhidi* methodological worldview with *Tawhidi* String Relation as its model. *Tawhidi* methodological worldview argues that "*Tawhidi* is the primal ontological law of monotheism. It uses a deeply Qur'anic exegesis, ... philosophical, and specialized socio-scientific approaches in deriving, developing, and empirically applying the imminent Qur'anic methodology of unity of knowledge and its consequential unified world-system in extensive diversity, by generality and particulars[9]. The choice on *tawhid* is because it is eternal. In contrast, various ideas on Shariah-Compliance or *Maqasid As-Shariah*, both authenticity and derivative sources need to be re-checked since creating confusions and contradictions [9], especially when applied in various separated *aqad* (sharia transactions).

Method

Sharia Framework [34]has 131 paragraphs. These consist of one paragraph which describes the reporting entity (paragraph 11), information recipients (such as investors, owners of deposited funds, and temporary *syirkah* funders) are covered by 12 paragraphs (paragraph 9 and paragraphs 30–40), explanation of "Sharia transactions" (18 paragraphs), and the rest describe aspects of information (such as basic assumptions, recognition, and measurement of elements of financial statements). Table 1 shows the difference of the number of paragraphs in Conventional Framework (110 paragraphs) and Sharia Framework (131 paragraphs), and the causes of the differences.[1]

Table 1

The Differences of Conventional Framework and Sharia Framework

	Conventional Framework	Sharia Framework	Explanation (Differences)
Introduction	11 par.	29 par	Sharia Framework adds the sharia transaction paradigm (3 par.), the principle of sharia transactions (12 par.), the Characteristics of sharia transactions (3 par.)
Objectives of Financial Reporting	10 par.	11 par.	Sharia Framework adds 1 par. about relevant specific Information
Basic assumption	2 par.	3 par.	Sharia Framework adds 1 par. about cash-based revenue Sharing.
Qualitative Characteristics of Financial Statement	23 par.	24 par.	Sharia Framework Ads 1 Par. AboutTheDistribution OfProfit Sharing without considering materiality.
Elements of Financial Reporting	35 par.	41 par.	Sharia Framework Ads 5 Par. For Temporary *Syirkah* Funds, And 1 par. on third party rights to profit sharing.
Recognition of Elements of Financial Reporting	17 par.	18 par.	Sharia Framework Ads 1 Par. ConcerningTheRecognition Of Temporary*syirkah* Funds.
Measurement of Elements of Financial Reporting	3 par.	5 par.	Sharia Framework Ads 2 Par. Concerning TheMeasurement Of temporary*Syirkah* Funds.
Concept of Capital and Capital Maintenance	9 par.	-	Sharia Framework Does Not Adopt The Concept Of Capital Maintenance
Total	110 par.	131 par.	
Sources: IAI (2007a); (IAI, 2007b).			

This study uses a qualitative analytical approach to look for inconsistencies and confusion of logic on propositions and concepts contained in the text in Sharia

[1] It is worth noting that the capital maintenance concept is not adopted in SFPPFS.

Framework preambles, especially in the sharia transaction paradigm. Based on these requirements, the propositions (and concepts) of “sharia transaction paradigm” in the preamble of Sharia Framework are examined for their coherence (including consistency). The examination is focused on concept, sentences, and/or propositions in paragraphs 12, 13, 14 “Sharia transaction paradigms” of the Sharia Framework. The tests are also conducted on propositions in the sharia transaction paradigm with the intention of formulating the Sharia Framework itself.

Technically, according to [35] the initial version of coherence can simply be called consistency. [36]states that a set of [statements] is declared coherent if and only if (1) each member of the set is consistent with the other sub-sets, and (2) each of them is implied (either inductive or deductive) be understood as the premise, or each of them is implied by each other individually. Likewise, [36]argues that coherence will be fulfilled if one proposition has coherence with a set of propositions “if and only if it is entailed by members of the set”.

Tahwidi methodological worldview [9]is used to reflect the coherences between sharia transaction preamble with the other parts of Sharia Framework and more general sharia targets. The conclusion is drawn using the logical induction and/or deduction to see the its coherence and consistency in achieving various sharia targets as one organic and holistic unity.

Results and Discussions

“Sharia transactions” are unique concepts in the information process. They can be placed as an “independent subject” when placed as a paradigm, principle, or characteristic of sharia transactions. With this kind of perspective, it can be placed as part of the subject of information and is able to function as an umbrella to frame the concepts in Sharia Framework. As will be shown in the next section (some incoherence), it seems that “sharia transactions” failed to meet these expectations.

Sharia transaction paradigm and some incoherences

This section describes some incoherences in Sharia Framework.

First incoherence

The Sharia transaction paradigm in Sharia Framework for Preparation and Presentation of Financial Statements [34] is explained in three paragraphs, namely paragraphs 12-14. In paragraph 12 it is explained:

> Islamic transactions are based on the basic paradigm that the universe is created by God as a trust-*amanah* (divine belief) and a means of happiness of life for all humanity to achieve ultimate prosperity materially and spiritually (*al-falah*).

Even though it is under the heading of “Paradigm of Sharia Transactions”, paragraph 12 does not explicitly explain the definition of “sharia transaction paradigm”. The text [“Sharia transactions based on the basic paradigm ...”] is not used to explain the nature of “definition” but is put in order to explain the existence of the creator (God)-creature (human and universe) and the relations between them, and the purpose of human life, namely to reach *falah*. In addition to not explaining what should be, the narrative has the potential to have an incorrect and ambiguous meaning, for example, when it is associated with the ultimate goal of creating humans as it is stated in the holy Qur'an that the essence of creation is to worship Allah.

Second incoherence

Paragraph 13 of Sharia Framework [34] states:

This basic paradigm emphasizes that every activity of human has accountability and divine values that place *sharia* and moral as parameters of good and bad, right and wrong of business activities. This paradigm will shape integrity which helps to form good character of good governance and market discipline (paragraph13).

When paragraph 13 begins with:

[“This basic paradigm ...”], it is assumed that “the sharia transaction paradigm” seems to have been perfectly defined and accepted even though this is not the case. Because it (the Sharia transaction paradigm) is assumed to have been defined, it becomes reasonable if the main focus of this paragraph then moves to the *amaliah* (action) aspects of both individuals and organizations. It looks as if there has been a jump in conclusions and there has been overlap between the concepts of sharia when mentioning: [“... place sharia and moral...”].

Because, if the concept of “Sharia” is combined with the concept of “morals”, seen from the source, the concept of “Sharia” is certainly not “sharia transactions”. The concept of “Sharia” which is associated with “morality” is usually more meaningful to Islamic teachings and closer to the text of revelation, which is different from “sharia” as a result of human interpretation of revelation [1, 20], such as “Sharia transactions”.

Third incoherence

The meaning of “sharia” as desired in the sharia transaction paradigm has only been more clearly explained in paragraph 14 of Sharia Framework [34]which states that:

Shariah is the provision of Islamic law that regulates human which contains commands and prohibitions, both concerning the relationship of vertical interaction with God and horizontal interactions with fellow beings. Generally accepted Sharia principles in *muamalah* activities (Sharia transactions) are legally binding for all actors and stakeholder entities that carry out Sharia transactions ...

From the definition above, the great narrative of sharia can be divided into three levels: Sharia (macro), Sharia principles (mezo), and Sharia transactions (micro). This is the true level of Islamic reality. So, “Sharia” in paragraph 14 is more as an understanding of “Sharia law” as a result of differentiation with the concept of “morals”. This is different from the meaning of “Sharia Islamiyah” which places both of them as one unit.

Therefore, even though paragraphs 12, 13, and 14 of Sharia Framework IAI have been defined and presented sequentially, this does not mean that the definition has clarified their existence. Likewise, the presentation of the order of sharia concepts in the “sharia transaction paradigm” has not yet described the choice of one particular thinking scheme: deductive or inductive, even if the one presented is more deductive. This initiative is clearly inseparable from efforts to put “Sharia” as a complement which does not want to disturb the established international governance system.

Fourth incoherence

The most fatal incoherence is when considering “Sharia transactions” as a panacea in turning Framework for Preparation and Presentation of Financial Statements, into Sharia Framework, which is believed to be fully Islamic. Sharia transactions and conventional framework have different assumptions. Sharia transactions are part of many other transactions in sharia entities. This means that sharia transactions are subordinate to conventional framework. Thus, it is awkward to place sharia transactions as a preamble while their existence is only a subset. However, this incoherence is understandable given that the Islamic Financial Accounting Standar Board does not have the power to challenge the global governance system.

Sharia Framework as a document can also be examined from three important subjects: (1) information reporting entities, (2) contents, and (3) information recipients. For the reporting entity, Sharia Framework appears to be less attentive because it is only explained in one brief paragraph par 11. The following is the complete paragraph 11 of Sharia framework [34]which appears to be more advanced, compared to paragraph 6 [34]because it explicitly describes the responsibilities of the reporting entity:

The management of *sharia* entities assume primary responsibility in the preparation and presentation of financial statements of *sharia* entities. Management also has an interest in the information presented in financial statements even though it has access to additional financial and management information that helps in carrying out planning, control and decision making responsibilities. Management has the ability to determine the form and content of additional information to meet their own needs. However, reporting such information is outside the scope of this basic framework. However, published financial statements are based on information used by management regarding financial position, performance and changes in financial position.

The position of the reporting entity as the subject of information has been well defined. When viewed from the agency theory, an organization is a center of interest (nexus) between owners who want the maximum return of investment while the agent wants economic (compensation) and social interests (status, prestige, and reputation) [37]. Surprisingly, the regulation of the reporting entity is only contained in one paragraph which is of course inadequate. The disadvantage is when the subject of the reporting entity is outside the jurisdiction of “Sharia transactions”. In this context “sharia transactions” cannot direct the behavior of the reporting entity because of the absence of a strong “sharia” base. So, when “sharia transactions” only function as micro-practical foundations, they cannot supply various information needs, both as a guideline for the behavior of reporting entities, information, and recipients of information. Here “sharia transactions” also appear weak and passive to overcome imbalances in information. Finally, “sharia transactions” are unlikely to be expected to be fair mediators when “informational conflicts” occur.

It cannot be denied that the practical contribution of the concept of “Sharia transactions” can easily be infiltrated into Sharia Framework. Because of its practicality, the existence of “Sharia transactions” is easily able to distinguish itself from conventional financial statement engineering and “force” conventional entities to use Sharia accounting if the entity carries out Sharia transactions.

As seen in the Sharia Framework preamble, it is confirmed that the sharia narrative chosen by the standard board to be applied into framework, is sharia at the micro level: “Sharia transactions” or “Sharia contracts”. Sharia at the micro level was also found when Financial Accounting Standard Board formulated sharia accounting standard, such as *murabahah, istishna*, *salam, mudharabah,* and *musyarakah* [34]and so on. On this basis, Islamic accounting in Indonesia is referred to as sharia transaction accounting [38]

However, when Sharia transactions do not have the capacity to accommodate various activities, even other than “Sharia transactions” in a reporting entity, the main weaknesses of the concept of “sharia transactions” are revealed when used as a paradigm in the Sharia Framework preamble. Apart from the disputes related to the paradigm concepts, [15] mentioned that those should cover a set of assumptions, concepts, values, and practices as strategies to see the realities. The use of sharia transaction paradigm did not estimate the depth and details of the paradigm concept of the limited sharia transactions.

Therefore, making Sharia transaction as Sharia Framework foundation both as constitution to direct the accounting practice and as the Islamic accounting general theory is greatly risky. [25] attack, [23]criticism on the existence of contemporary Islamic accounting, and [18] in the spirituality heart of *mudharabah* transaction in sharia bank indicate that this discipline is easy to “destroy”. This is because sharia transaction and “shari’ah-compliance” applied in Islamic accounting do not have a firm methodology to be ontologically, epistemologically, and axiologically tested. To get the axiological bases, the Islamic entity and Islamic accounting should be able to bring the extensive Islamic goals involving the material, morality, and spiritual aspects.

Conclusion

The conceptual framework of financial reporting has become a “general theory” for developing financial accounting standards throughout the world. Conventional Framework is an International Accounting Standard Committee conceptual framework, which was then adopted by Financial Accounting Standard Board of Indonesia Accountants Association in 1994 as a continuation of accounting reform in Indonesia. Along with the development of sharia entities and that of sharia accounting standards, Sharia Framework is needed. In order to be in line with Conventional Framework, the most practical step is to conduct “Shariahization” of Conventional Framework, namely by putting “sharia transactions” in the Sharia Framework preamble. In this way, it is expected to create integration between Islamic values and various concepts contained in Sharia. In micro-practical terms and for short-term needs, this expectation seems to be successful, because anyone who conducts sharia transactions (including non-sharia entities) must present the transaction following sharia transactions rules.

However, because “sharia transactions” are at the micro level of shariah, it is difficult to play a role in bridging the needs of the “informationing” paradigm at the macro-philosophical level. If “sharia transactions” are maintained, the potential for incoherence in itself exists, including in the various elements that influence it. Therefore, to design a conceptual framework for sharia financial reporting it seems necessary to look for alternative “shariah” concepts that are more robust to deal with the complexity of informational activities. It seems that the philosophy of *Tawhidi* methodological worldview with the *Tawhidi* String Relation (TSR) model proposed by [9]is more appropriate.

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