



# Financial Reporting Practice in Pesantren: A Comparative Study of Malaysia and Indonesia

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**Abstract.** This study is intended to identify financial reporting practices Pesantren in Indonesia and Malaysia, and to compare the level of knowledge, skills, utilization of information technology, and the implementation of pesantren accounting standards in financial reporting practices in Indonesia and Malaysia. Research was conducted at pesantren which is officially registered in the Ministry of Religious Affairs of the Republic of Indonesia and the Melaka Malaysia Islamic Religious Position in 2021. The sampling method uses purposive sampling and testing using One Sample T Test and One Way Analysis of Variance. The findings state that there were differences in financial reporting practices in Pesantren in Indonesia and Malaysia, especially in Accounting Knowledge and Utilization of Information Technology. However, when viewed from the Skills and Implementation of Pesantren Accounting Standards, there is no significant difference in financial reporting practices.

**Keywords:** Pesantren Accounting · Financial Reporting · Skills · Information Technology

## 1 Introduction

Pesantren is one of the traditional non-profit oriented islam educational institutions, both in Indonesia and Malaysia, Islamic education is able to strengthening the mentality of human resource in their respective countries. In Indonesia, there are 27,722 Pesantren spread across all provinces [1]. This number is quite large and proves that pesantren are in great demand and trusted by the public as a good choice of educational place. Pesantren in Indonesia are mostly owned by private owners foundations [2]. Although Pesantren is not profit-oriented, it must do financial management properly as revealed [3] there are three things that must be done for the existence of Pesantren, namely Quality Assurance, Autonomy, and Accountability.

Issues related to accountability practices through financial reporting are a phenomenon and criticism of some parties, because pesantren are considered closed institutions and exclusive to modern financial management practices. Some research results

such as [4, 5] have proven that financial reporting and the presentation of information are forms of information disclosure. [6] revealed that the practice of accounting in Indonesia is still simple and financial accountability reported by the finance department is still not optimal, although financial statements have been viewed by the management of Pesantren as a very significant instrument in improving organizational accountability [7] and pesantren management has not considered the community as a stakeholder to report financial information [8].

The first Maahad Pesantren was established in Malaysia in 1966 as a result of the idea of Musabaqah al-Quran and the visit of Al-Azhar Chancellor of Sheikh Mahmud Syaltut University to the opening ceremony of the National Mosque [9]. Currently, the development of the pesantren institution in Malaysia has grown as a result of the increasing awareness of the Muslim community on the need to understand the Quran. As a result, the existence of private pesantren centers and institutions are increasing with a wide range of syllabus and governance guidance. In Malaysia, the institution of pesantren is known for two categories, namely government-based institution and private institution.

Government-based institutions are unable to cope with the high demand from parents who are interested in making the flow of pesantren education as a mainstream education for their children. In this regard, the empowerment of private institutions is significant which consistent with the current requirement that set by the government known as National Pesantren Education Policy or Dasar Pendidikan Tahfiz Negara (DPTN). [10] Pesantren have poor management governance and have not been well planned which also affects the aspect of its implementation [11].

There are accountability problems in fundraising and mismanagement of accumulated funds for Pesantren [12]. When there is misconduct in the governance of a pesantren institution, it will weaken the institution itself. According to [12] a reporting should be provided by management of non-profit organizations related to fundraising information to ensure governance and accountability for the financial management of a non-profit organization.

In the practice of preparing financial statements, pesantren have not fully adopted the accounting standards and guidelines of pesantren yet [13–15] Several contributing factors as revealed [16, 17] that there is still a lack of accounting knowledge in financial report practices, besides that the management of institutional management of pesantren is still managed traditionally.

The lack of Pesantren accounting literature is the reason for this research. So it is necessary to know how financial reporting practices compare to Pesantren in Palembang, Indonesia and Melaka City, Malaysia. Indonesia and Malaysia were chosen as the two countries compared in this study because the influence of cultural and religious backgrounds in Indonesia and Malaysia is almost the same. This study aims to compare the level of knowledge, skills, utilization of information technology and the implementation of Pesantren accounting standards in financial reporting practices in Indonesia and Malaysia. The findings are expected to make a practical contribution to regulators (government) and Pesantren as information and input in the practice of financial reporting of pesantren as well as the importance of accountability of pesantren financial reporting for internal and external parties.

## 2 Literature Review and Research Hypotheses

Accounting knowledge is everything that is known related to financial activities and is needed to compile financial statements, including an understanding of Accounting Standards, the process of recording financial reporting, types of financial statements, the functions of each financial statement and the components (elements) in financial statements. This accounting knowledge can be obtained through accounting education or training. The lack of accounting knowledge from financial managers can cause the non-implementation of the financial accounting information system optimally. Skills or competence is intended for a person who has extensive procedural skills demonstrated in his experience. In preparing financial reports, good and qualified skills are needed. Many skills that are not in accordance with their respective fields in accounting and financial report making will have an impact on the poor quality of financial statements and timeliness in making financial statements. Technological devices are a supporting factor to create a realization of financial responsibility reports to have the quality of financial statements in the presentation and reliable value of information in them. The development of technology makes it easier to make financial reports. The use of information technology plays a role in minimizing errors in entering data because in technology everything is arranged and neatly arranged with the existing technology system. Financial reporting of a pesantren is important to show the traceability of the use of funds received to take care of the operations of the pesantren institute. The biggest distribution faced by institutions in reporting are inputs, activities, outputs and results [12]. According to [18] financial information is very important to be presented in the financial reporting of pesantren.

## 3 Research Methodology

This type of research is in the form of exploratory studies using comparative research designs on Pesantren in Palembang, Indonesia and Melaka City, Malaysia. The population of this study was in Pesantren with the type of educational unit in Palembang City, Indonesia which amounted to 8 Pesantren and 8 Pesantren in Melaka, Malaysia. The samples in the study were saturated samples, namely 16 Pesantren. The respondents of this study are parties who have the authority and know about the process and procedure for preparing financial statements, namely 4 people consisting of the Caregiver of the Pesantren, the Chairman/headman of the Pesantren, the Management of the Pesantren and the Treasurer of the Pesantren. So that the total research sample was 64 respondents. The collection technique in the form of primary data with a data collection period carried out from June-August 2022. Research instruments for indicators of Accounting Knowledge and Skills refer to [19]. The data analysis technique starts from the validity and reliability test of the questionnaire, descriptive analysis and a different test is carried out using an independent sample t test if data is normally distributed, if the data is not distributed normally then using the Mann Whitney Test difference test.

## 4 Result and Discussion

There were 64 questionnaires for each of the 8 Pesantren in Palembang, Indonesia and Melaka City, Malaysia. It is known that the returned questionnaires were 52 questionnaires and 52 could be used. The return rate of the questionnaire (response rate) and can be used (response use) is 81.25% with details of 30 respondents from Palembang City, Indonesia and as many as 22 respondents from Melaka City, Malaysia.

The assumption of homogeneity aims to know whether the variance of the measured score is the same or not, this test is applied with multivariate, since the involvement of variables is bound together. The homogeneity test is used the Box's M test through its significance degree = 0,05. Decision-making is based on the criterion that if the result of its significance produces a value of more than 0,05 then the variance-covariance matrix in both classes is the same or homogeneous.

These results show a sig. (signification) is above the level of significance of 0,05, so based on the decision-making criteria on the homogeneity test, the conclusions for the variable Skills and Implementation of Pesantren Accounting Standards include Homogeneous. Meanwhile, the variables of Accounting Knowledge and Utilization of Information Technology include inhomogeneous data.

From The Difference using the Mann-Whitney Test, the signification level of 0,010 is below the significance of 0,05, this can be interpreted to mean that there are significant differences in the financial reporting practices of Pesantren in Indonesia and Malaysia in terms of their accounting knowledge. The findings of this study can be seen in each country in terms of education is different in each country, making financial reporting results and quality different, and sometimes pesantren financial employees do not come from accounting or financial backgrounds. As revealed [4] Weak knowledge of accounting by managers and implementing staff at Pesantren is one of the causes of the preparation of pesantren financial statement not in accordance with applicable standards.

The results of the Mann-Whitney Test, obtained a signification level of 0,764 above the level of significance of 0,05, this can be interpreted as there is no difference in skills in the practice of financial reporting of Pesantren in Indonesia and Malaysia. This finding proves that employees or administrative personnel at Pesantren in these two countries are qualified and already have technical skills in the field of accounting.

furthermore, a signification level of 0.000 is below the level of significance of 0.05, this can be interpreted to mean that there are significant differences in the financial reporting practices of Pesantren in Indonesia and Malaysia in the use of information technology, which may be seen in the sophistication of the technology used differently in each country including the availability of information technology facilities and infrastructure itself. The results of this study show the role of technology utilization, that the higher the technology used, the easier it will be for financial employees to compile financial reports.

The Mann-Whitney Test shows that the signification rate of 0,629 is above the level of significance of 0,05, this can be interpreted as there is no difference in the Implementation of Pesantren Accounting Standards with the financial reporting practices of Pesantren in Indonesia and Malaysia. This is because there is the same average attitude supported by the same culture in both Indonesia and Malaysia so it tends not to make the results of financial reporting different. Even though the preparation of financial reports is still not in

accordance with the rules in Pesantren which can result in differences in the preparation of Pesantren financial reports, this matter is still taken seriously by the management as part of a form of accountability, it is still taken seriously by the management as part of a form of accountability.

## 5 Conclusion

There are significant differences in financial reporting practices in Pesantren in Indonesia and Malaysia, especially in Accounting Knowledge and Utilization of Information Technology. However, when viewed from the Skills and Implementation of Pesantren Accounting Standards, there is no significant difference in financial reporting practices. An important implication of these findings is that there are 2 challenges in implementing financial reporting practices, namely first, pesantren must have human resources who have knowledge and are competent in the field of accounting records and financial reporting. Second, maximize the use of information technology to improve efficiency. For this reason, cooperation between institutions is needed, namely between Pesantren and Islamic financial institutions, educational and training institutions, and universities.

This research has limitations, including this research only examines descriptively the practice of financial reporting in terms of 4 components. In future research, it is recommended to examine more other components such as Pesantren Accounting Standards, Competence, and Motivation. This study also only used samples from 2 cities in each country. If possible, investigations can be carried out on more samples and from more countries.

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