Islamic Accounting Standard: An Intertemporal Sentiment Analysis

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This study aims to look at related sentiments “Islamic Accounting Standard” around the world published by journals with that theme. This study uses a qualitative method with a sentiment analysis approach. The data used is secondary data with the theme “Islamic Accounting Standard” obtained from the Dimensions database of 100 scientific publications. Data is processed using software SentiStrength for extracting and classifying sentiments. The results of the study found that neutral sentiment was the highest with a percentage of 39%, followed by negative sentiment with 32% and positive sentiment with a percentage of 29%. Related research Islamic Accounting Standard experienced fluctuations in the number of sentiments throughout the period 1990 to 2023. The highest number of sentiments occurred in 2018 with a total of 13 scientific publications, which were dominated by neutral sentiment of 9 scientific publications. There are several positive and negative issues related to the topic of sharia accounting standards which can be further elaborated.

Keywords: Islamic Accounting Standard; Sentiment analysis; SentiStrength

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INTRODUCTION

Rapid developments in the Islamic finance industry, particularly in Islamic financial institutions, have also had an impact on changes in accounting standards. Sarea & Hanefah (2013) explain the high growth in the number of Islamic financial institutions worldwide, and the Islamic financial industry industry has attracted major Western institutions, such as Citibank, HSBC, and Deutsche Bank, to operate as Islamic windows within conventional banks. Given the continued growth rate of Islamic financial institutions to date in both Islamic and non-Islamic countries requires Islamic accounting standards, and the fact that existing accounting standards such as IFRS or local GAAP are developed based on conventional institutions, conventional product structures, or practices, and may be deemed insufficient to account for and report Islamic financial transactions (Delloite, 2023).

Islamic accounting standards and regulations are developed to support and legitimize Islamic banking or other Islamic financial institutions. Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) has become an urgent issue that has sparked fierce debate in Organization of Islamic Conference (OIC) countries. AAOIFI is emerging as a major regulator and standard setter of Islamic accounting. The development of sharia accounting standards is an ongoing process, and there are still challenges that need to be strengthened further in the system (Kamla, 2009; Sarea & Hanefah, 2013; Sharairi et al., 2013; Hassan et al., 2019). AAOIFI has developed a comprehensive set of accounting, auditing and ethical standards that are based on Shariah principles. These standards are designed to address the unique accounting and financial reporting requirements of Islamic financial institutions. AAOIFI has also worked to promote the adoption of Islamic accounting standards by Islamic financial institutions and harmonize these standards in different countries and regions (Delloite, 2023; Qadri, 2019).

The development of Islamic accounting standards is increasing rapidly, there are several challenges faced in implementing them, including the lack of awareness and understanding of Islamic accounting principles and standards among accounting professionals and regulators which can lead to a lack of compliance with Islamic accounting standards, thus hindering the growth of the Islamic finance industry. . Another challenge is the lack of standardization and harmonization of Islamic accounting standards in various countries and regions which causes inconsistencies in financial reporting and hinders the growth of the Islamic finance industry. In addition, the lack of qualified professionals with expertise in Islamic accounting and auditing, the challenges of reconciling Islamic accounting principles with conventional accounting principles and the lack of a legal and regulatory framework to support the adoption of Islamic accounting standards are also challenges in implementing Islamic accounting standards (Delloite, 2023; Qadri, 2019; Sharairi et al., 2013).

Based on several challenges related to the application of Islamic accounting standards, this explains that Islamic accounting standards are still facing debate. The debate on Islamic accounting standards revolves around the compatibility of conventional accounting principles with Islamic values and principles. In several studies it was found that conventional accounting principles are not in accordance with Islamic values and principles, and therefore, new accounting objectives and assumptions are needed to develop Islamic accounting standards. Islamic accounting must be based on sharia principles, which emphasize social equity, fairness, and ethical behavior. On the other hand, they argue that conventional accounting principles can be adapted to meet the needs of Islamic financial institutions and that there is no need for a separate set of accounting standards for Islamic finance. They argue that the principles of transparency, accountability and disclosure are universal and can be applied to Islamic financial institutions as well. In addition, other debates also highlight the need for greater awareness and understanding of Islamic accounting principles and standards among accounting professionals and regulators (Napier, 2009; Velayutham, 2014; Delloite, 2023).

Given the rapid development of the Islamic finance industry, the importance of Islamic accounting standards and the challenges and opportunities in their implementation, further research is needed that can answer these matters through the opinions of researchers regarding Islamic accounting standards. Opinion is classified as positive sentiment, negative sentiment and neutral sentiment from several scientific journals that discuss Islamic accounting standards. Very little research has been found regarding this matter, and among the relevant studies is Alam (2022) who discusses and investigates the literature on Islamic accounting to understand the issues, context, methods, and theoretical paradigms; Velayutham (2014) discusses the "Conventional" vs "Islamic" accounting debate; and Izza & Rusydiana (2022) reviewed 32 years of Scopus metadata on Islamic Accounting. Thus, the purpose of this study is to analyze opinions related to Islamic accounting standards through scientific journals using sentiment analysis.

PREVIOUS STUDIES

Islamic accounting standards refer to a set of accounting principles and guidelines that are based on Shariah principles and are designed to address the unique accounting problems faced by Islamic financial institutions. These standards were developed by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), which is an autonomous, not-for-profit international Islamic legal entity that prepares accounting, auditing, governance, ethics, and Sharia standards for Islamic financial institutions and industry. Islamic accounting standards are necessary because existing accounting standards such as IFRS or local GAAP are developed based on conventional institutions, conventional product structures, or practices, and may be deemed insufficient to account for and report Islamic financial transactions. Sharia-compliant transactions that comply with the prohibition on charging interest do not parallel conventional financing, and as such have significant accounting implications. Islamic accounting standards cover a wide range of topics, including financial reporting, auditing, governance and risk management. The development and application of sharia accounting standards is very important for the growth and development of the sharia financial industry (Qadri, 2019; Alam, 2022; Delloite, 2023).

From this statement, AAOIFI has actually attempted to develop so-called "Islamic accounting standards" in an effort to resolve differences between products from Islamic financial institutions and conventional products. Although the standards formulated by AAOIFI (1998) are still based on capitalistic accounting (International Accounting Standards). The establishment of AAOIFI in Bahrain in 1991 as an institution that formally regulates the Islamic banking sector is one of the important milestones in the development of Islamic financial institutions. The organization, which has the support of institutional members from the international Islamic banking and finance industry, has so far produced 60 AAOIFI accounting, auditing, governance and Shariah standards. However, basically AAOIFI standards are not mandatory, Islamic banks, especially in Islamic countries, such as Bahrain, Dubai International Financial Center, Jordan, Lebanon, Qatar, Sudan and Syria, have followed the accounting standards set by AAOIFI (Mohammed et al. , 2016). So far, AAOIFI has issued 85 standards, namely 26 Accounting Standards, 5 Auditing Standards, 7 Governance Standards, 2 Ethical Standards, 45 Sharia Standards. AAOIFI also continues to work on developing new standards for Islamic financial institutions. This is important, especially since these organizations act as important players in the regulation of Islamic banks, which are encouraged to adopt standards that research finds relevant and highly beneficial to Islamic financial institutions (Trokic, 2015).

Opinions that emerged regarding Islamic accounting standards gave rise to a lot of speculation regarding the implementation of Islamic accounting standards in Islamic financial institutions. Answering this, sentiment analysis is a tool that can be used to classify opinions from users of Islamic accounting standards or researchers regarding their views. Sentiment analysis is usually dichotomized into two (positive and negative) but can also be considered as neutral. A document containing several statements of opinion will have mixed polarity overall, as opposed to having no polarity at all (objective). Furthermore, a distinction has to be made between the polarity of a sentiment and its strength (Mejova, 2009). Some research that is relevant to sentiment analysis on Islamic accounting standards includes Alam (2022) discussing and investigating the literature on Islamic accounting to understand the issues, context, methods, and theoretical paradigms. The results of the study found that Islamic accounting papers cover the issues of Islamic organizations (eg Islamic financial institutions) and Muslim countries. Key issues include regulation and compliance with regulations, disclosure of annual reports, corporate governance and Islam, the accounting profession, gender, accountability issues, management accounting and control, waqf accounting and zakat management. This study also observes various normative guidelines from academics regarding how Islamic teachings are applied in matters of accounting, accountability and governance to achieve maqasid al-shariah, namely human welfare, social justice and equity.

Velayutham (2014) discusses the "Conventional" vs "Islamic" accounting debate. The purpose of this study is to evaluate the argument that the assumptions underlying conventional accounting are not in accordance with Islamic values, therefore new accounting goals and assumptions are needed, namely Islamic accounting. The results of the study explain that this mismatch belief can be traced to a misunderstanding of the underlying assumptions of "conventional accounting". Then it is said that the neglect of Islamic accounting in Islamic countries can be attributed to Islamic accounting that does not meet the needs of users rather than acculturation or economic dependence.

Izza & Rusydiana (2022) examine Scopus metadata for 32 years on Islamic Accounting. Thus, the purpose of this study is to analyze opinions related to Islamic accounting standards through scientific journals using sentiment analysis. The results of the study found that the number of publications on the evolution of Islamic accounting continues to increase. Islamic banking, finance, and management often follow Islamic accounting, with a frequency of 7.75 percent, 3.30 percent, and 2.97 percent, respectively. This study also examines the relationship between accounting and auditing organizational governance for Islamic financial institutions (AAOIFI) and performance of Islamic banks.

Other relevant studies include Mohammed et al (2016) examining the views of preparers of financial statements with regard to practices in reporting Islamic Financial Institutions, whether there is a need for a separate set of Islamic accounting standards for Islamic Financial Institutions; Al-Sulaiti et al (2018) reviewed disclosure compliance with AAOIFI financial accounting standards; Hassan et al (2019) survey on Islamic Finance and accounting standards; and Qadri (2019) explain the role of future accounting standards for Islamic Financial Institutions.

Based on some of the studies above, research related to sentiment analysis of Islamic accounting standards has not been found much. Therefore, this study aims to examine Islamic accounting standards using sentiment analysis to find out the opinions of researchers regarding Islamic accounting standards.

METHODOLOGY

This study uses a qualitative sentiment analysis research method using secondary data sourced from various scientific publications during the period 1990 to 2023 with the theme "Islamic Accounting Standard". The sampling technique used in this research is method purposive sampling, which aims to fulfill certain information in accordance with the desired research objectives. Data retrieval is done by searching for journals indexed by database dimensions by typing in keywords "Islamic Accounting Standard". After that, articles or scientific journals that are relevant to the research theme will be selected based on the publication data that has been collected. Journals equipped with DOI are criteria in the process of filtering and processing data using software. There are 100 scientific publications on research themes "Islamic Accounting Standard". As for to see the sentiment on each journal related to "Islamic Accounting Standard" the author uses software SentiStrenght.

SentiStrenght is an algorithm for opinion mining which uses a dictionary or lexicon-based approach that works by detecting each word or phrase from an abstract text by checking terms which contains sentiments and output the result is the weight of the word or phrase that was successfully detected. By making use of lexical with system dual scale, SentiStrength want to show that humans can feel positive emotion and negative emotion simultaneously, to some extent independently (Norman et al., 2011; Sianipar & Setiawan, 2015).

The sentiment class consists of sentiments high positive, positive, neutral, negative and high negative. Each sentiment class has a different score interval, high positive has a score of 3-5,positive has a score of 1-2,neutral score 0,negativescore -1 to -2 and high negative has a score of -3 to -5. The sentiment score is then calculated by adding up the sentiment score of each sentence conveyed by the researcher in software SentiStrength. Good sentiment (positive) is the opinion of researchers who are positive and tend to be optimistic in response to the theme raised. While bad sentiment (negative) is the opinion of researchers who are negative and tend to express criticism in studying the theme.

RESULT AND ANALYSIS

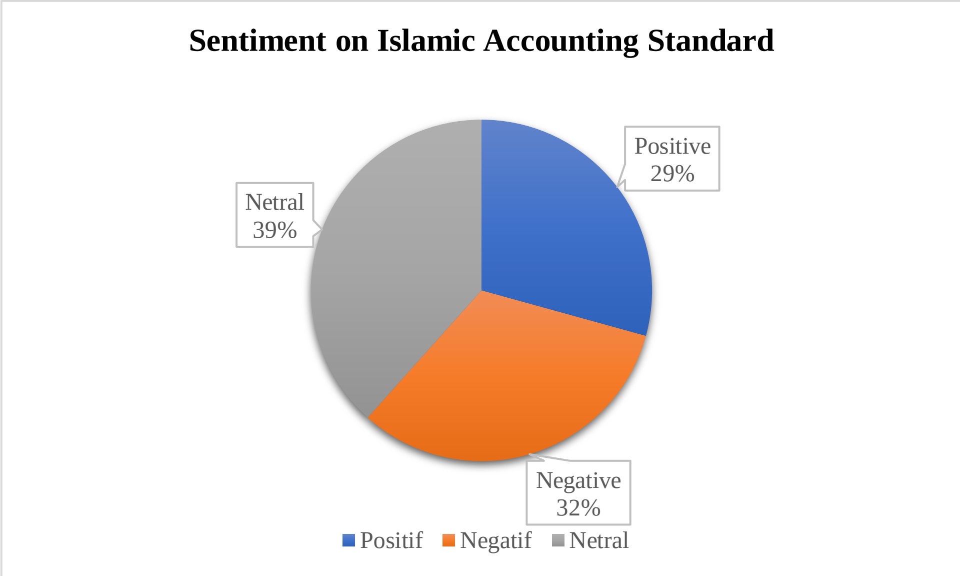

Figure 1: Sentiment analysis on Islamic Accounting Standard

Based on the picture above, neutral sentiment is the highest result with a total sentiment of 39%, then second place is 32% by negative sentiment, and finally is positive sentiment of 29%. That is, in this study it shows that the existence of sharia accounting standards tends to have neutral sentiments or in another sense the sentence expressions in dominant research do not show partiality. However, even so, the percentage difference between each sentiment is very thin, this suggests that the existence of Islamic financial standards is still a lot of debate or pros and cons in its use.

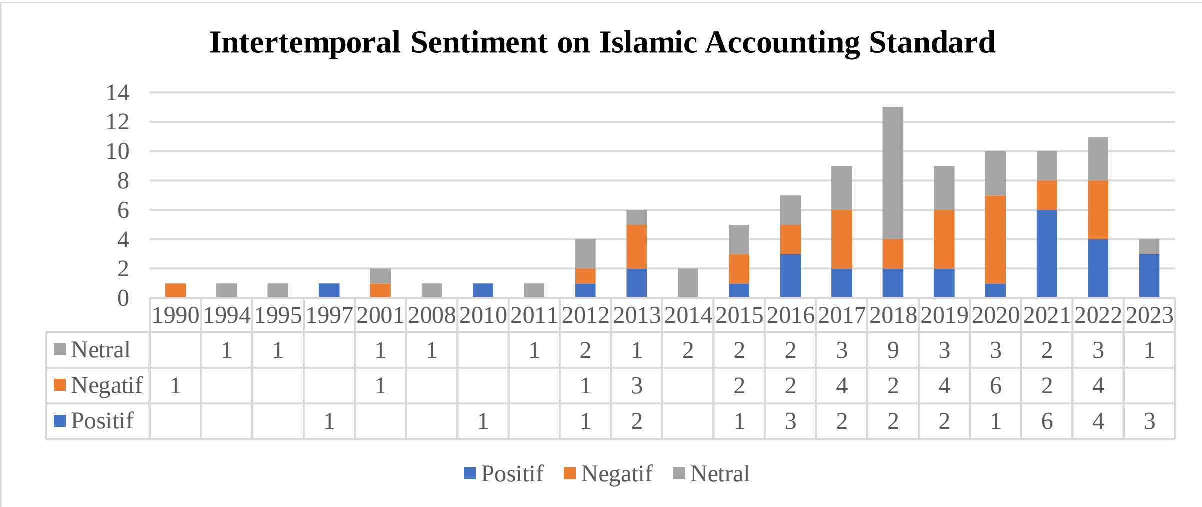

Figure 2: Intertemporal analysis

Based on the picture above, related research Islamic Accounting Standard experiencing fluctuations in the number of sentiments throughout the period 1990 to 2023, be it positive, negative or neutral sentiment. The highest number of sentiments occurred in 2018 with a total of 13 scientific publications, which were dominated by neutral sentiments of 9 scientific publications. The highest number of positive sentiments occurred in 2021 with a total of 6 scientific publications. Likewise, with the highest number of negative sentiments, namely as many as 6 scientific publications that occurred in 2020.

Based on data from 100 related scientific publication documents Islamic Accounting Standard, there are pros and cons. The following is a summary of the issues contained in the analyzed scientific publications.

Table 1: Pros and Cons on Islamic Accounting Standard

	Positive	Negative
1	There is uniform reporting standard to avoid misunderstanding.	IFRS international accounting standards do not fully reflect the principles of Islamic finance.
2	Guaranteeing sharia compliance.	There are many requirements in Islamic financial accounting standards.
3	Provide information to evaluate the fulfillment of the responsibilities of sharia entities.	Adding costs because it requires additional audits such as sharia audits.
4	Make it easier to compare financial performance between entities or between periods.	AAOIFI is not an Islamic accounting standard, it is only an accounting standard for Islamic financial institutions.

The development of Islamic accounting standards is the answer to the significant development of financial transactions on sharia principles and basis, and Islamic financial entities and financial units that have emerged recently (Sharairi, 2021). Thus, the surging growth of Islamic finance simultaneously increases its complexity in size and operations (Shabsigh et al., 2017). Although the assets of Islamic finance are small compared to the global financial industry, its broad scope and inclusive goals require additional regulations and standards that can accommodate uniformity across regions (Hasan et al., 2019). The presence of sharia accounting standards for Islamic financial institutions is an effort to make it easier to compare financial performance between banks or between periods for each bank (Siswantoro & Ibrahim, 2017).

The field of international accounting reporting standards is subject to IFRS. However, in IFRS there are things that do not reflect Islamic observations, especially those related to interest transactions (Bhattacharjee & Islam, 2009). Sharairi (2021) reveals that Islamic financial institutions have several transactions that are not included in the application of the IFRS accounting concept because they do not represent the principles of Islamic finance and are biased towards traditional banking practices. There are many variations of accounting standards used for Islamic financial institutions today, including IFRS and AAOIFI. However, the AAOIFI standard is not enforced to replace IFRS, but rather as a complement that fills the gap between conventional and Islamic financial transactions, by providing accounting standards that evaluate the main needs of Islamic financial institutions (Abdel Karim, 1995). For example, the treatment of the distribution of zakat, protection of the principle of unlimited investment account holders, and reserves for income smoothing, are some of the issues that are not in IFRS but are taken into account by AAOIFI (Grais & Pellegrini, 2006). Even so, Siswantoro & Ibrahim (2017) in their work states that the AAOIFI standard is not an "Islamic accounting standard" but only an "accounting standard for Islamic financial institutions". This statement will not actually bother practitioners, but it will become a serious topic of discussion for research academics.

Financial reporting scenarios for Islamic financial institutions diverge from one another because of the many authorities that are focused. This is not only due to sharia law issues but rather due to the current general requirements by the government system (Al-Sulaiti et al., 2018). AAOIFI builds several alternative Islamic standards that are equivalent to IFRS, but only a few Islamic countries use AAOIFI and IFRS at the same time, while other countries only use the IFRS system. This implies that these countries are more satisfied with financial reports prepared under IFRS (Marston & Shrives, 1991; Sharairi, 2021). Another work by Hasan et al. (2019) also revealed in their research that most countries have liberalized AAOIFI standards voluntarily, but only Malaysia and Indonesia have adopted these standards as their national sharia guidelines.

The pros and cons of sharia accounting standards seem to pose a dilemma for practitioners. In response to thisAsean-Oceanic Standard Setter Group (AOSSG) said that many Islamic financial transactions use contracts, arrangements and in different legal forms from transactions in general, so is the current IFRS international accounting standard sufficient to be used for Islamic financial transactions or is a special financial standard required. Although AAOIFI rejects some of the things contained in the IFRS standard, MASB (Malaysian Accounting Standards Boards) dare to conclude that the principles of financial reporting in IFRS do not conflict with sharia, and financial reporting is a recording function that will not sanctify or negate the validity of sharia from a transaction. They also concluded that the main difference between conventional reporting of financial transactions and Islamic financial transactions lies not in recognition and measurement but in the extent of information that needs to be reported to users.

Furthermore, MASB also considers that reporting sharia transactions that refer to IFRS standards will provide practical benefits. Reporting institutions will avoid the difficulties of financial reporting under different frameworks. In addition, this will eliminate arbitrage opportunities that may arise from differences in accounting treatment (AOSSG, 2010).

CONCLUSION

This study aims to determine related sentiments "Islamic Accounting Standard" in the world published by Dimensions database indexed journals. The results showed that out of 100 scientific publications, neutral sentiment was the highest with a percentage of 39%, followed by negative sentiment in second place at 32%, and finally positive sentiment with 29%. Furthermore, related research Islamic Accounting Standard experienced fluctuations in sentiment throughout the period 1990 to 2023. The highest sentiment occurred in 2018 with 13 scientific publications, which were dominated by neutral sentiment with 9 scientific publications.

Several positive arguments related to sharia accounting standards are: (1) there is uniformity in reporting standards to avoid mis-understanding; (2) ensure Sharia compliance; (3) provide information to evaluate the fulfillment of the responsibilities of Sharia entities; and (4) make it easier to compare financial performance between entities or between periods. Meanwhile, some of the negative issues related to this are: (1) that the IFRS international accounting standards do not fully reflect the principles of Islamic finance; (2) There are many requirements in Islamic financial accounting standards; (3) Adding costs because it requires additional audits such as Sharia audits; and (4) AAOIFI is not an Islamic accounting standard, but only an accounting standard for Islamic financial institutions.

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