

APPLICATION OF ACCOUNTING SYARIAH PRINCIPLE IN FINANCIAL REPORTING AT LAZISMU MEDAN

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Abstract: *This study critically examines how Islamic accounting principles amanah (trustworthiness), accountability, transparency, and tawhidic stewardship are interpreted, institutionalized, and enacted in the financial reporting practices of LAZISMU Medan, a Muhammadiyah-affiliated amil zakat institution in North Sumatera, Indonesia. Departing from the dominant quantitative tradition in Islamic accounting literature, this study adopts a qualitative phenomenological approach to uncover the lived organizational realities, institutional tensions, and gap-bridging strategies that characterize compliance with PSAK 109 and broader sharia accounting norms. Research Methodology: In-depth semi-structured interviews were conducted with 18 key informants purposively selected from LAZISMU Medan's management, accounting staff, Sharia Supervisory Board (SSB), and external auditors. Observational data were gathered through non-participant institutional observation over a three-month field immersion period, supplemented by extensive document analysis of LAZISMU Medan's audited financial statements, internal policy documents, and SSB reports. Findings: The study identified four principal themes: (1) a persistent "compliance-authenticity gap" wherein formal PSAK 109 compliance is achieved procedurally but substantive sharia values are inconsistently internalized; (2) institutional isomorphism pressures that shape transparency practices more than genuine accountability norms; (3) capacity deficits in sharia accounting competency among frontline staff that undermine reporting quality; and (4) the SSB's structural marginalization, which compromises meaningful sharia oversight.*

Keywords: *Sharia Accounting; PSAK 109; LAZISMU And Financial Reporting*

Introduction

The governance of Islamic social finance—particularly zakat, infaq, and sadaqah (ZIS)—occupies a unique normative space at the intersection of divine obligation and institutional accountability. In Indonesia, the world's most populous Muslim-majority nation, the national ZIS potential is estimated at IDR 327 trillion annually, yet actual collection persistently represents a fraction of this figure, hovering around IDR 22–26 trillion in recent years (BAZNAS, 2023). This chronic mobilization gap is widely attributed to a deficit in public trust, which is in turn linked to perceived inadequacies in financial transparency and accountability among amil zakat institutions (LAZ) (Harahap et al., 2022; Nasution & Rambe, 2023). Understanding how Islamic accounting principles are actually practiced—not merely formally reported—within these institutions is therefore a matter of considerable social, economic, and theological consequence.

LAZISMU Medan, the North Sumatera branch of Lembaga Amil Zakat, Infaq, dan Sedekah Muhammadiyah, operates as one of the most institutionally developed LAZ entities in the region, formally bound by the Indonesian Financial Accounting Standards for Zakat Entities (PSAK 109) issued by the Indonesian Institute of Accountants (IAI) and subject to the sharia governance framework of the National Sharia Council (DSN-MUI). Its organizational maturity, Muhammadiyah affiliation, and dual accountability structure—to both human regulators and divine authority—make it a theoretically rich and practically important research site.

Despite the proliferation of studies on Islamic accounting and LAZ governance in Indonesia, the existing body of literature suffers from three interrelated limitations. First, the overwhelming majority of empirical studies adopt quantitative survey designs that measure formal compliance or perceptual indicators, leaving the actual processes, interpretive logics, and organizational dynamics of sharia accounting practice underexplored (Tho'in & Fithria, 2022; Sari et al., 2023). Second, North Sumatera—and LAZISMU Medan specifically—has received disproportionately less scholarly attention compared to LAZ institutions in Java, despite its significant ZIS mobilization role (Lubis & Nasution, 2023; Siregar et al., 2022). Third, the relationship between formal standard compliance (PSAK 109 adherence) and substantive Islamic accountability—characterized by the internalization of tawhidic stewardship values, not merely procedural rule-following—has not been critically examined through an interpretive lens. Empirical studies have confirmed that muzakki trust in LAZ institutions is strongly shaped by perceived transparency and accountability (Ali & Amsari, 2024).

These gaps motivate the present study, which is guided by three overarching research questions: (RQ1) How do LAZISMU Medan's organizational actors interpret and operationalize Islamic accounting principles in their day-to-day financial reporting practices. (RQ2) What institutional, structural, and human factors mediate the relationship between formal PSAK 109 requirements and substantive sharia accountability in financial reporting? (RQ3) What are the consequential implications of observed compliance patterns for stakeholder trust, organizational legitimacy, and ZIS mobilization capacity.

Grounded in Islamic Accountability Theory, DiMaggio and Powell's (1983) institutional isomorphism framework, and Suchman's (1995) legitimacy theory, this study employs a qualitative phenomenological approach to develop a nuanced, actor-centered account of sharia accounting practice. By privileging the voices of practitioners, auditors, and governance actors, this research generates theoretical propositions and policy-actionable insights that extend significantly beyond what survey-based methods can yield. The remainder of the article proceeds as follows: Section 2 reviews the theoretical and empirical literature; Section 3 describes the qualitative methodology; Section 4 presents the findings organized around four emergent themes; Section 5 provides critical discussion; and Section 6 offers conclusions, implications, and directions for future research.

Literature Review

Islamic Accountability Theory: Tawhidic Stewardship and the Dual Accountability Nexus

Islamic Accountability Theory, as systematized by Gambling and Karim (1991) and subsequently refined by Triyuwono (2015) and Harahap (2021), posits that accounting in an Islamic context is ontologically distinct from its Western counterpart because it operates within a framework of dual accountability: horizontal accountability to human principals (muzakki, regulators, beneficiaries, and the public) and vertical accountability to Allah (SWT) as the

ultimate sovereign and owner of all wealth. This theological grounding has profound practical consequences: it transforms accounting from a technocratic information function into a moral practice of amanah (trustworthiness) and khalifah (stewardship).

The concept of tawhidic stewardship demands that amil institutions manage ZIS funds as representatives of a divine trust. Financial reports, in this framework, are testimonies of stewardship accountability rendered before the entire stakeholder community. Islamic Accountability Theory implies that compliance with formal accounting standards is a necessary but insufficient condition for genuine sharia accountability—substantive accountability requires the internalization of values including amanah, adl (justice), ifshah (disclosure), and mas'uliyah (responsibility).

Recent empirical work has confirmed the practical dimensions of this theoretical framework. Olivia et al. (2022) found that muzakki literacy regarding PSAK 109 requirements significantly influenced their trust in zakat management organizations (OPZ), demonstrating the direct link between technical accounting compliance and the theological legitimacy expectations of Muslim donors. This finding is particularly significant because it suggests that the compliance-accountability nexus is perceived and evaluated by lay stakeholders, not only

Institutional Isomorphism and the Legitimation of Islamic Accounting Practices

Maggio and Powell's (1983) institutional isomorphism theory provides a complementary analytical lens for understanding how LAZ institutions like LAZISMU Medan come to adopt particular accounting practices. Three isomorphic mechanisms are particularly salient: (1) coercive isomorphism, driven by regulatory mandates (PSAK 109, BAZNAS oversight, Ministry of Religious Affairs regulations); (2) mimetic isomorphism, where smaller or less mature LAZ entities emulate the practices of more established ones under conditions of uncertainty; and (3) normative isomorphism, driven by professionalization pressures from accounting education and the Islamic finance industry.

This framework predicts that many LAZ compliance behaviors may be driven primarily by external legitimation pressures rather than genuine value internalization—a prediction that is critically interrogated through the empirical data in this study. Scott's (2014) three pillars of institutions (regulative, normative, and cultural-cognitive) further enrich this framework by drawing attention to the cultural-cognitive legitimation of sharia accounting norms within Indonesia's Islamic social finance ecosystem.

Recent empirical work by Sari et al. (2023) and Pramita and Triani (2022) has documented the role of mimetic and normative isomorphism in shaping disclosure practices among Indonesian LAZ entities, finding that peer institution benchmarking and auditor professional norms were more powerful drivers of transparency than formal regulatory requirements. The isomorphism finding resonates theoretically with Rahmayati et al.'s (2022) documentation of mimetic and normative adoption patterns in Islamic financial technology management in Indonesia, where innovations were frequently adopted through institutional emulation rather than deliberate value-alignment processes. These findings raise critical questions about the depth and authenticity of sharia principle internalization that the present qualitative study is designed to illuminate.

PSAK 109: Normative Framework and Empirical Reception

PSAK 109, issued by the Indonesian Institute of Accountants' Sharia Accounting Standards Board (DSAKS-IAI) and revised in 2021, establishes comprehensive recognition, measurement, presentation, and disclosure requirements for ZIS funds. Key provisions include: mandatory segregation of zakat, infaq/sadaqah, and amil operational funds; disclosure of fund allocation by

asnaf (eligible recipient categories); recognition of zakat obligations on the accrual basis; and presentation of a Statement of Changes in Dana (Fund Changes Report) alongside the conventional Statement of Financial Position.

Empirical reception of PSAK 109 among Indonesian LAZ institutions has been decidedly uneven. Harahap et al. (2022) found that compliance rates varied significantly across North Sumatran LAZ entities, with urban, Muhammadiyah-affiliated institutions exhibiting higher procedural compliance but not necessarily higher qualitative accountability. Lubis and Nasution (2023) similarly documented that PSAK 109 adoption in LAZISMU Sumatera Utara improved the formal structure of financial reports but left interpretive ambiguities—particularly in the treatment of amil fee allocations and in-kind zakat valuations—unresolved.

Internationally, parallel challenges have been documented in Malaysia (Haron & Yasin, 2022), Bahrain (Al-Amin & Harun, 2021), and Pakistan (Iqbal & Mirakhor, 2021), where Islamic accounting standard adoption has often been characterized as ceremonial rather than transformative. These comparative insights underscore the need for deep qualitative investigation into how standards are actually interpreted, negotiated, and enacted within specific organizational contexts—precisely what this study provides.

The Role of the Sharia Supervisory Board in Accounting Governance

The Sharia Supervisory Board (SSB), or Dewan Pengawas Syariah, is the primary institutional mechanism for ensuring the sharia conformity of LAZ financial practices. In principle, the SSB reviews accounting policies, validates fund allocation decisions, and issues annual sharia compliance opinions. In practice, however, the effectiveness of SSB oversight is highly variable and frequently compromised by structural marginalization, competency gaps, and conflicts of interest (Salahudin et al., 2022; Nasution & Rambe, 2023).

Pohan et al. (2023) documented that SSB members in several North Sumatran LAZ entities lacked formal accounting training, limiting their capacity to critically evaluate financial statement compliance. Pulungan et al. (2024) found that SSB oversight in Muhammadiyah-affiliated institutions was often advisory rather than substantive, with boards issuing compliance opinions without conducting independent financial statement analysis. These structural deficits in sharia governance have profound implications for the authenticity of Islamic accountability—a gap that the present phenomenological inquiry directly addresses through in-depth engagement with SSB members and management actors at LAZISMU Medan.

Research Gap and Theoretical Contribution

Synthesizing the foregoing review, three clear research gaps emerge. First, there is an empirical gap: no qualitative, phenomenological study has examined sharia accounting practice at LAZISMU Medan or any comparably significant North Sumatran LAZ institution, leaving the lived organizational reality of accounting compliance unexplored. Second, there is a theoretical gap: the relationship between formal PSAK 109 compliance and substantive Islamic accountability—as theorized through tawhidic stewardship—has not been critically examined through an interpretive lens that privileges practitioner meaning-making. Third, there is a methodological gap: the qualitative dimension of LAZ accounting practice has been systematically underrepresented in a literature dominated by quantitative survey designs.

This study addresses all three gaps by deploying a phenomenological methodology, Islamic Accountability Theory as the primary theoretical lens, and institutional isomorphism as a complementary explanatory framework. Its theoretical contribution lies in demonstrating that formal compliance and substantive accountability are analytically and empirically distinct—a

distinction with significant implications for regulatory design, SSB governance, and LAZ capacity development.

Method

This study is grounded in an interpretivist epistemological paradigm that prioritizes the subjective meanings that social actors construct about their experiences and institutional contexts (Creswell & Poth, 2023). Specifically, a descriptive phenomenological design (Moustakas, 1994) is employed, which aims to describe and interpret the essence of a shared phenomenon—in this case, the experience of enacting sharia accounting principles in LAZ financial reporting. This design is methodologically appropriate because the central research questions are concerned with how organizational actors understand, interpret, and navigate accounting norms, not with measuring variance in pre-specified constructs.

The choice of qualitative phenomenology over quantitative approaches is theoretically motivated by two considerations. First, Islamic Accountability Theory itself demands interpretive attention to the meanings actors attach to accountability obligations—meanings that are culturally, theologically, and organizationally situated and cannot be adequately captured through Likert-scale responses. Second, the observed gap between formal compliance and substantive accountability—the core phenomenon under investigation—is by definition a meaning-laden gap that requires hermeneutic excavation rather than statistical measurement.

LAZISMU Medan was selected as the research site through purposive criterion sampling on the basis of four criteria: (1) organizational maturity, as one of the longest-established LAZ entities in North Sumatera; (2) institutional complexity, combining Muhammadiyah organizational structures with formal BAZNAS registration and PSAK 109 compliance obligations; (3) documentary richness, with publicly available audited financial statements and (4) access feasibility, facilitated through prior research relationships with UMSU faculty who serve as institutional advisors.

Individual semi-structured interviews constituted the primary data source. Each interview lasted between 60 and 120 minutes and was conducted in a combination of Bahasa Indonesia, based on participant preference. The interview guide was organized around five thematic domains: (1) participants' understandings of sharia accounting principles and their organizational application; (2) daily practices of financial recording, reporting, and disclosure; (3) the perceived role and effectiveness of the SSB in accounting governance; (4) experienced tensions between formal compliance requirements and substantive accountability norms; and (5) views on the consequences of current reporting practices for stakeholder trust and ZIS mobilization. All interviews were audio-recorded with informed consent and transcribed verbatim.

Thematic analysis following Braun and Clarke's (2022) reflexive framework was adopted as the primary analytical method. The six-phase process involved: (1) data familiarization through repeated reading and active note-taking; (2) systematic coding using initial open coding to generate a comprehensive code inventory; (3) theme generation through iterative clustering and abstraction of codes; (4) theme review and refinement against the dataset and the developing analytical narrative; (5) theme definition and naming informed by Islamic Accountability Theory and institutional isomorphism; and (6) report production integrating evidentiary quotations, analytical interpretation, and theoretical discussion.

Trustworthiness was established through four criteria. Credibility was ensured through: data source triangulation (interviews, observation, documents); investigator triangulation and member checking, where a summary of emerging themes was shared with eight purposively selected participants for accuracy verification, leading to two minor interpretive refinements.

Transferability was supported through thick description of the research site, participant profiles, and contextual conditions. Dependability was established through maintenance of an audit trail documenting all analytical decisions. Confirmability was ensured through reflexive journaling that documented the researcher's positionality as a Muslim accounting scholar with prior engagement in LAZ governance consultancy.

Result and Discussion

1. The Compliance-Authenticity Gap Procedural Adherence Without Value Internalization

The most pervasive and analytically significant finding of this study is what the research team conceptualizes as the "compliance-authenticity gap": a systematic discrepancy between LAZISMU Medan's formal adherence to PSAK 109 requirements and the substantive internalization of the sharia values those requirements are intended to manifest. This gap was articulated, in varying registers, by nearly all 18 participants.

From the perspective of LAZISMU Medan's accounting staff, PSAK 109 compliance was predominantly experienced as a technical reporting obligation—a set of procedural rules to be followed—rather than as an expression of deeper accountability norms. The Head of Finance and Accounting (P2) described this dynamic with notable candor: *"We follow PSAK 109 because we have to. The external auditor checks every line against the standard. But honestly, when I sit down to prepare the Statement of Dana Changes, I am thinking about format and classification—not about whether Allah would be pleased with how we allocated the funds. The Islamic part has somehow been separated from the accounting part."* (P2, Interview 2)

This statement is theoretically significant because it articulates precisely the form-substance bifurcation that Islamic Accountability Theory identifies as a failure of tawhidic stewardship. The respondent's phrase—"the Islamic part has somehow been separated from the accounting part"—captures the institutional condition in which accounting has been re-secularized within a nominally Islamic organizational context.

Documentary evidence reinforced this interpretation. Analysis of LAZISMU Medan's financial statements for 2021–2024 revealed consistent formal compliance with PSAK 109 presentation requirements: all required schedules were present, fund segregation was maintained, and amil fee disclosures met regulatory thresholds. However, qualitative analysis of narrative disclosures revealed a pattern of formulaic, boilerplate language that provided minimal substantive insight into the ethical dimensions of fund stewardship. This finding resonates with Olivia et al.'s (2022) observation that muzakki literacy about PSAK 109 requirements influenced their trust in OPZ—a finding that implies muzakki are capable of detecting the gap between form and substance if they possess sufficient technical knowledge.

The compliance-authenticity gap was also visible in the gap between reported and experienced accountability practices. When asked how they account for in-kind zakat valuations, accounting staff (P3, P4, P5) described estimation practices that relied on market approximation rather than rigorous zakat-specific valuation methodology. P3 noted: *"We use the market price on the day of receipt. Is that the correct Islamic valuation? I am not sure. But it is what the auditor accepts."* This response illustrates how the legitimacy of a practice is determined by auditor acceptance rather than by sharia principle—a reversal of the accountability hierarchy that Islamic Accountability Theory prescribes.

The Sharia Supervisory Board Chairperson (P7) acknowledged the gap from a governance perspective: *"I sign the sharia compliance opinion each year, but I must be*

honest—my review is based on the audited financial statements, which are already compliance-checked. I do not go behind the numbers to examine whether the spirit of zakat accountability is present. That would require a different kind of audit—an ethical audit, perhaps."

This finding aligns with and extends Harahap et al.'s (2022) quantitative finding that PSAK 109 compliance scores did not predict qualitative accountability outcomes in North Sumatran LAZ institutions. The present study adds critical interpretive depth by revealing the organizational mechanisms through which this decoupling occurs and is institutionally sustained.

2. Institutional Isomorphism as the Dominant Driver of Transparency Practice

The second major theme concerns the forces that actually drive transparency behaviors at LAZISMU Medan. Analysis of interview data, observational records, and documentary evidence converged on a striking finding: the primary drivers of LAZISMU Medan's transparency practices are external institutional pressures—coercive regulatory demands, mimetic benchmarking against peer LAZ institutions, and normative auditor professional standards—rather than internally generated accountability values rooted in sharia norms.

The Executive Director (P1) was candid about the primacy of coercive pressures: "The main reason we publish detailed reports is because BAZNAS requires it. If BAZNAS removed the annual reporting mandate tomorrow, I think our disclosure practices would change significantly. The internal motivation—the sense that we owe our muzakki and Allah complete transparency—that motivation needs to be much stronger."

Mimetic isomorphism was observed most clearly in the process by which LAZISMU Medan developed its current PSAK 109-compliant reporting format. Internal accounting policy documents (dated 2022) revealed that the format was directly adapted from LAZISMU Pusat's (national headquarters) reporting template, which in turn had been developed with reference to LAZISMU Jakarta's practices. The Senior Accountant (P3) confirmed this: "When we revised our format in 2022, we downloaded LAZISMU Jakarta's annual report and used it as our model. We adjusted some numbers, but the structure was basically copied." This mimetic pathway produced procedural compliance without engaging organizational actors in the interpretive work of determining how sharia accountability norms should be locally instantiated.

Normative isomorphism was observable in the role of external auditors in defining what "compliant" reporting means. Both external auditors (P10, P11) described their approach as technical standard verification rather than sharia value assessment. P10 stated: "My job is to audit conformity with PSAK 109 as written. I check recognition criteria, presentation formats, and disclosure completeness. Whether the organization genuinely embodies Islamic accountability? That is not within the scope of a financial audit."

This finding critically extends the theoretical framework of DiMaggio and Powell (1983) by demonstrating that isomorphic pressures can produce organizational forms that achieve institutional legitimacy without substantive value alignment. In the context of Islamic social finance, where authenticity of values is itself a legitimacy criterion for Muslim stakeholders, this represents a particularly consequential form of institutional decoupling. The implication—developed further in the Discussion—is that regulatory frameworks and auditing standards for LAZ entities must be redesigned to close the gap between procedural compliance and substantive accountability.

3. Sharia Accounting Competency Deficits and Their Systemic Consequences

A third, structurally embedded theme concerns the widespread deficits in sharia accounting knowledge and capacity among LAZISMU Medan's frontline accounting personnel—deficits that have systemic consequences for both the quality of financial reporting and the possibility of meaningful Islamic accountability.

When accounting staff (P3, P4, P5, P18) were asked to articulate the specific sharia accounting principles that govern their daily work, responses revealed significant conceptual gaps. P4, with four years of tenure in the accounting unit, could identify only two of PSAK 109's four primary principles—transparency and accountability—and was unable to distinguish amanah from mas'uliyah in practice. P5, similarly, described her understanding of the sharia dimensions of her accounting work as largely intuitive: "I know that what we do must be halal and honest. But the specific fiqh of zakat accounting—I learned that mostly from on-the-job experience, not from any formal training."

Observational data from the two internal reporting preparation sessions corroborated the interview-based evidence of competency gaps. The researcher observed that preparation discussions were dominated by questions of formatting, classification categories, and audit trail documentation—all procedural concerns—while questions about the sharia appropriateness of specific accounting treatments were either absent or quickly deferred to the external auditor. When one staff member (observed during Session 2, March 2024) raised a question about whether a delayed zakat distribution should be recognized as a liability or retained in the dana zakat balance, the response from the supervisor was: "Let's ask the auditor—they know the standard."

The academic expert (P12) from UMSU offered a structural diagnosis: "The curricula of most accounting programs in Indonesia, including at many Islamic universities, have not adequately integrated sharia accounting content. Students graduate with strong conventional accounting skills but limited capacity to apply the distinctive principles of Islamic accountability theory in practice. LAZISMU and other LAZ institutions are recruiting accountants formed by this system."

The competency gap has direct consequences for financial reporting quality. Analysis of LAZISMU Medan's 2022 and 2023 financial statements identified two recurring technical deficiencies: (1) inconsistent application of the amil fee recognition principle—in some periods, amil operational costs were netted against gross fund inflows rather than disclosed as a separate line item as required by PSAK 109 para. 25; and (2) insufficient disaggregation of infaq/sadaqah allocations by program category, which limited the ability of muzakki to assess whether their restricted donations were channeled as intended.

4. The Structural Marginalization of the Sharia Supervisory Board(SSB) and the Compromised Governance Architecture

The fourth theme reveals that LAZISMU Medan's Sharia Supervisory Board, despite its formal prominence in the organization's governance architecture, operates under structural conditions that significantly constrain its capacity to exercise meaningful sharia oversight of accounting and financial reporting.

Three structural marginalization mechanisms were identified. First, resource and competency asymmetry: Sharia Supervisory Board members, while possessing strong credentials in Islamic jurisprudence and fiqh muamalah, generally lacked formal training in accounting standards or financial statement analysis. The Sharia Supervisory Board Chairperson (P7) acknowledged this directly: "I understand the principles of zakat distribution

from a fiqh perspective. But when I look at PSAK 109 financial statements, I sometimes struggle to connect the numbers on the page to the Islamic values they are supposed to represent. An accountant needs to help me interpret what I am seeing." This asymmetry means that SSB oversight is effectively dependent on the accounting staff it is supposed to oversee—a fundamental governance paradox.

Second, procedural marginalization: observational data from SSB oversight meetings revealed that the board's engagement with financial reporting matters was largely post-hoc and document-review-based. SSB members received draft financial statements and SSB opinion templates from the accounting unit, reviewed them within the meeting and signed the compliance opinion. No independent financial analysis was conducted. P8 (SSB Member) described this as: "We review, we discuss, we sign. But I wonder sometimes if we are truly overseeing, or just endorsing."

Third, institutional subordination: document analysis revealed that the SSB's organizational position within LAZISMU Medan's governance structure placed it formally beneath the Board of Trustees (Badan Pengurus) and functionally parallel to—but not superior to—the management team. This positioning means that SSB recommendations on accounting practices are advisory rather than binding, and that the SSB has no formal mechanism to compel revision of financial statements it considers insufficiently transparent. The BAZNAS regional regulator (P13) confirmed this as a systemic issue: "Across LAZ institutions in North Sumatera, the SSB tends to function as a legitimation stamp rather than a genuine oversight body. This is not unique to LAZISMU Medan—it reflects a broader structural problem in how Islamic non-profit governance is designed."

Taken together, these four themes construct a coherent and troubling picture of the institutional conditions under which Islamic accounting principles are enacted at LAZISMU Medan: formal compliance achieved through procedural mimicry, driven by external legitimation pressures, executed by accountants with significant sharia accounting competency gaps, and overseen by a governance board whose structural position limits its capacity for substantive oversight.

Discussion

1. The Compliance-Authenticity Gap: Theoretical and Practical Implications

The compliance-authenticity gap documented in this study constitutes a significant theoretical and empirical contribution to Islamic accounting scholarship. Theoretically, it demonstrates that Islamic Accountability Theory's distinction between formal compliance and substantive tawhidic stewardship is not merely a normative aspiration but an empirically observable organizational condition with measurable practical consequences. The finding that PSAK 109 compliance is experienced by accounting practitioners primarily as a technical obligation—decoupled from the theological values it is designed to express—extends Triyuwono's (2015) theoretical critique of Islamic accounting's secularization into an empirical organizational domain.

This finding critically interrogates quantitative compliance studies that treat formal PSAK 109 adherence as an adequate proxy for substantive Islamic accountability. The practical consequences are equally significant: Olivia et al. (2022) demonstrated that muzakki literacy about PSAK 109 requirements shapes organizational trust, implying that sophisticated muzakki may be capable of detecting form-substance gaps when they exist. Similarly, Fajriyah and Rahmayati (2023) established that behavioral zakat payment intentions are linked to institutional integrity perceptions—perceptions that depend on substantive accountability

quality, not merely formal compliance certificates.

Practically, the compliance-authenticity gap has direct consequences for LAZISMU Medan's social mission. When accounting is experienced as a bureaucratic obligation rather than a spiritual accountability practice, the reporting outputs it produces—however formally compliant—fail to serve the deeper accountability functions that muzakki, mustahiq, and the broader Muslim community require. As P15 (muzakki) expressed: "The annual report looks very official and complete. But it does not tell me the things I most want to know: was the zakat I gave actually used in a way that Allah would approve of? That question is not answered in the numbers."

2. Isomorphism and Legitimacy: Rethinking the Regulatory Framework

The dominant role of institutional isomorphism in shaping LAZISMU Medan's accounting practices—documented in Theme 2—has significant implications for regulatory strategy. DiMaggio and Powell (1983) argued that isomorphic pressures produce organizational conformity but not necessarily organizational effectiveness. The present findings confirm and extend this argument in the LAZ context: coercive, mimetic, and normative isomorphism have succeeded in producing a population of formally PSAK 109-compliant LAZ institutions without generating substantive improvements in the quality of Islamic accountability.

This diagnosis suggests that the current regulatory approach—centred on formal standard compliance enforced through mandatory audit and BAZNAS oversight—is necessary but insufficient. Sufficient regulation would need to incorporate mechanisms for assessing substantive accountability quality: independent sharia value audits conducted by competent joint accounting-fiqh review panels, public disclosure of SSB opinion rationales and any dissenting views, and mandatory reporting of muzakki-accessible impact metrics that connect fund flows to beneficiary outcomes.

Sari et al. (2023) and Pramita and Triani (2022) both documented the role of external pressures in driving Indonesian LAZ disclosure practices, but neither study examined the gap between compliance-driven disclosure and value-driven transparency—a gap that the present study illuminates through its interpretive methodology. The policy implication is that regulators should shift from a compliance-verification orientation to an accountability culture orientation, investing in the normative and cultural-cognitive pillars of institutional change (Scott, 2014) rather than relying exclusively on regulative mechanisms.

3. Competency Development as a Strategic Priority

The sharia accounting competency deficits documented in Theme 3 represent a structural obstacle to substantive Islamic accountability that cannot be resolved through regulatory pressure alone. The academic expert's (P12) observation that Indonesian accounting curricula have failed to adequately integrate sharia accounting content points to a higher education system failure with direct organizational consequences.

This finding is consistent with and extends the international evidence. Haron and Yasin (2022) documented similar competency gaps among Malaysian Islamic non-profit accounting personnel, while Iqbal and Mirakhor (2021) identified education system deficiencies as a primary constraint on Islamic finance governance capacity in Pakistan. The present study contributes the specific mechanism through which competency gaps translate into reporting quality failures—namely, the delegation of sharia accounting judgment to external auditors who are themselves operating within a technical compliance paradigm rather than a substantive accountability framework. Pulungan et al. (2024) and Pohan et al. (2023), in studies focused on

North Sumatran LAZ governance, similarly identified competency as a binding constraint on SSB effectiveness. The present study reinforces and deepens these findings by documenting the interactive dynamic between staff competency gaps and SSB competency gaps—a compounding effect in which neither party is positioned to check the other's limitations.

4. Sharia Supervisory Board Reform as a Governance Imperative

The structural marginalization of LAZISMU Medan's SSB—documented in Theme 4—represents perhaps the most urgent governance reform priority emerging from this study. The SSB is theoretically positioned as the primary internal mechanism for ensuring the sharia integrity of LAZ financial practices. Its marginalization through resource asymmetry, procedural limitation, and institutional subordination means that the most critical accountability checkpoint in the LAZ governance architecture is effectively non-functional with respect to its intended purpose.

This finding aligns with the international literature on SSB effectiveness in Islamic financial institutions. Salahudin et al. (2022) documented SSB marginalization in Malaysian waqf institutions, while Al-Amin and Harun (2021) found that Bahraini Islamic charity SSBs frequently served symbolic rather than substantive oversight roles. The present study extends these findings to the Indonesian LAZ context and, crucially, provides an organizational process account of how marginalization occurs—through meeting dynamics, document preparation workflows, and governance structure design.

Nasution and Rambe (2023), in a study of North Sumatran Islamic institution governance, argued that SSB reform requires both structural redesign (granting SSBs binding authority over accounting policy decisions) and competency investment (providing SSB members with formal financial statement analysis training). The present study's empirical evidence strongly corroborates these recommendations and adds an observational grounding that interview-based studies cannot provide.

Conclusion

This study has provided the first phenomenological account of Islamic accounting principle application in a major North Sumatran amil zakat institution. Four analytically significant themes were identified: the compliance-authenticity gap, isomorphism as the dominant driver of transparency practice, sharia accounting competency deficits, and SSB structural marginalization. Together, these themes construct a theoretically grounded diagnosis of the institutional conditions that separate formal PSAK 109 compliance from substantive Islamic accountability at LAZISMU Medan.

Theoretically, the study makes three contributions. First, it operationalizes Islamic Accountability Theory's form-substance distinction as an empirically observable organizational condition, extending the theory's predictive and explanatory reach into the institutional domain. Second, it demonstrates that institutional isomorphism theory applies with full explanatory force to the Islamic social finance context, producing LAZ compliance behaviors that achieve institutional legitimacy without substantive value alignment. Third, it introduces the concept of the "compliance-authenticity gap" as a theoretical construct that may be productively applied to other Islamic financial governance contexts.

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