



ANALYSIS OF DISCLOSURE OF NONHALAL INCOME RECEIPTS ON THE FINANCIAL STATEMENTS OF ISLAMIC COMMERCIAL BANKS AND ITS CONFORMITY WITH PSAK 101

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Abstract

Purpose – The purpose of this study was to determine if the nonhalal income disclosures made on the financial statements of Islamic banks complied with PSAK 101 regarding the presentation of Islamic financial statements. This study focused on three Islamic Banks: Bank Syariah Indonesia Tbk, BCA Syariah Bank, and NTB Syariah Bank.

Method – The research employed a descriptive quantitative methodology that use secondary data from the official websites of Islamic Banks, including the financial statements of the three Islamic Banks for the years of 2021 and 2022.

Result – The analysis's conclusion demonstrated that, generally speaking, the three Islamic Banks revealed their non-halal income in compliance with PSAK 101.

Implication – Based on this research, NTB Syariah Bank still needs to recognize the balance of unallocated charity fund as a current liability in the Notes to the Financial Statements in accordance with PSAK 101, as has been done by BCA Syariah Bank and Bank Syariah Indonesia Tbk.

Keywords: Non-halal Income; Islamic Commercial Banks; PSAK 101; Disclosure; Charity Funds

INTRODUCTION

Law of the Republic of Indonesia Number 10 year 1998 concerning amendments to Law Number 7 of 1992 concerning Banking Industry states the definition of Bank as a business entity that collects funds from of deposits and redistributes them through credit and/or other forms, all of which are carried out to improve the standard of living of the community in general.

Indonesian Islamic banking continues to show positive growth (OJK, 2021). The growth of the Islamic banking industry in Indonesia is reflected in the growth of Islamic Commercial Banks, Islamic Business Units, and Islamic Rural Banks as well as the increase in Islamic banking service office networks for the wider community (Jannah, 2020). Islamic banking according to Law No. 21 year 2008 concerning Islamic Banks is everything related to Islamic Bank and Islamic Business Units, including institutions, business activities, as well as ways and processes in carrying out their business activities. Islamic Banks are banks that carry out business activities based on Sharia principles and consist of Islamic Commercial Banks and Islamic Rural Banks.

The definition of Sharia principles according to the law is the principles of Islamic Law in banking activities based on fatwas issued by institutions that have the authority to determine fatwas in the field of sharia (Wirosa, 2011). In the current condition of an economic system that is not fully in accordance with Islamic principles, the obligation for Islamic banking to fulfill Sharia principles does not automatically make Islamic banks avoid transactional activities with conventional banking. This reality in turn gives rise to the existence of non-halal funds in the Islamic banking system (Hartanto, Pramono, & Purnamasari, 2019). National Sharia Council of the Indonesian Ulema Council (DSN-MUI) in its fatwa states that the economy in Indonesia today still cannot be separated from the conventional system which contains *riba* elements. For this reason, it is necessary to use the principle of *tafriq al-halal 'an al-haram* or the separation of halal assets from haram ones (Lenap, 2019).

According to Lenap (2019), Islamic banking must have transparency in disclosing the non-halal funds it receives in line with PSAK 101. Furthermore, Lenap mentioned that the regulation of the accounting treatment of non-halal funds includes recognition, measurement, presentation and disclosure related to the amount, source, reason and distribution of non-halal funds, which can assure the public that Islamic law has been applied as much as possible in all Islamic banking activities. Lenap's (2019) research took the population of all National Islamic Commercial Banks in Indonesia. The results show that in 2019, in general, Islamic Commercial Banks have disclosed their non-halal income in the Statement of Sources and Uses of Charity Funds based on PSAK 101 regarding the presentation of Islamic financial statements. However, the presentation of non-halal income in the report, does not then mention the source of funds specifically in the Notes to the Financial Statements, so that readers of the Financial Statements cannot identify the source of the figures listed in the Report on Sources and Uses of Charity Funds. On the other hand, transparency in disclosure can be a tool to increase public trust (Harkaneri & Reflisa, 2018).

Similar research was also conducted by Sholihah (2021) who analyzed non-halal income from 14 Islamic Commercial Banks using a sample of the financial statements of each Islamic Commercial Bank in 2019. The results of this study reveal that non-halal income have been presented based on PSAK 101, precisely in the Report on Sources and Uses of Charity Funds and Notes to Financial Statements. Based on research conducted by Hartanto et al., (2019) which uses a sample of financial statements of Islamic banks in 2013-2018, it is known that the largest amount of non-halal income is around 5,6 billion IDR reported by Bank Muamalat Indonesia. While the least amount is zero, which means that there are Islamic banks that do not receive non-halal income. The study also shows that the sources of non-halal income of Islamic Commercial Banks during 2015-2017 can be classified into three sources, namely bank interest income, interest from demand deposit, and closing of overdue accounts.

Based on the references to the results of previously conducted research, this research was conducted with the aim of analyzing and measuring the suitability of the application of PSAK 101 regarding the disclosure of non-halal income at Islamic Commercial Banks by taking a sample of three Islamic Commercial Banks, namely BCA Syariah Bank as a sample of private Islamic Commercial Banks, NTB Syariah Bank as a sample of Islamic Commercial Banks resulting from the spin-off of the Islamic Business Unit of the Regional Development Bank, and Bank Syariah Indonesia Tbk. (BSI) which is the result of a merger of three Islamic banks including Bank Mandiri Syariah, BNI Syariah and BRI Syariah which began its operation on February 1, 2021.

This sample selection was carried out to provide novelty to previous studies in terms of the use of the latest financial statement data, the addition of samples of Islamic Commercial Banks resulting from the spin-off of Islamic Business Unit of the Regional Development Bank and the use of BSI data after the merger. BCA Syariah Bank represents the characteristics of a private Islamic Commercial Bank that has been operating for a long time as a conversion of Bank UIB which was acquired by PT Bank Central Asia and made into an Islamic Commercial Bank. NTB Syariah Bank represents a relatively new Islamic Commercial Bank that resulted from a spin-off of previously Islamic Business Unit of a conventional bank and also represents the characteristics of a Regional Development Bank that operates based on its regional characteristics. Meanwhile, BSI represents the result of a merger of three Islamic Commercial Banks that became subsidiaries of three State-Owned Conventional Commercial Banks. This merger was implemented in 2021 and this research will try to capture how the merger of three Islamic Commercial Banks affects the presentation of financial statements, especially for the reporting of non-halal income.

Based on those sample, the following problems were formulated as follow: (1) What are the sources of non-halal income in Islamic Commercial Banks?; (2) How is the presentation of non-halal income and it's disclosure by Islamic Commercial Banks?; and (3) To what extent is the presentation and disclosure of non-halal income by Islamic Commercial Banks in comparison with PSAK 101? From the formulation of the

problem, the objectives of this study are obtained, namely: to identify and analyze the sources of non-halal income of Islamic Commercial Banks; to identify and analyze the presentation of non-halal income and its disclosure in the financial statements of Islamic Commercial Banks; and to analyze the conformity of the presentation of non-halal income and its disclosure by Islamic Commercial Banks with PSAK 101.

RESEARCH METHOD

The method used in this study was a quantitative descriptive method to analyze the acceptance of non-halal expressed in the financial statements of Islamic Commercial Banks. According to Sugiyono (2017), descriptive research is research conducted to determine the value of independent variables, either one or more independent variables, without making comparisons or linking them to other variables. The approach used is quantitative because it uses numbers, starting from data collection, interpretation of the data, and presentation of the results (Arikunto, 2010)

The data used is secondary data. The data was obtained through documentation collection techniques in the form of financial statements of Islamic Commercial Banks that were officially published on each bank's website. The subjects of this study were three selected Islamic Commercial Banks, namely BCA Syariah Bank, NTB Syariah Bank, and Bank Syariah Indonesia Tbk. The object of this study is the company's annual financial statements for the years 2021 and 2022, making a total of 6 observations.

RESULTS AND DISCUSSION

Non-halal Income on the Financial Statements

The results of the review of the disclosure of non-halal receipts in the Statement of Source and Uses of Charity Fund at three selected Islamic Commercial Banks as the research subjects indicate that the disclosure of non-halal receipts is in accordance with PSAK 101 the following are the details of the charity fund in the Source and Use of Charity fund Report of the three Islamic Commercial Banks:

Table 1. The charity fund in 2021

No	Bank Name	Details			Balance at The Beginning	Charity Funds Total in 2021
		Penalties	Nonhalal Income	Others		
1	Bank BCA Syariah	265.985.188	228.954.282	11.600.869	781.416.825	1.287.957.164
2	Bank NTB Syariah	17.418.372	-	484.120.857	1.549.147.735	2.050.686.964
3	Bank Syariah Indonesia Tbk.	14.329.000.000	7.898.000.000	50.379.000.000	12.900.000.000	85.506.000.000
Total		14.612.403.560	8.126.954.282	50.874.721.726	15.230.564.560	88.844.644.128

Source: The processed data, 2023

Table 2. The charity fund in 2022

No	Bank Name	Details			Balance at The Beginning	Welfare Funds Total in 2022
		Penalties	Nonhalal Income	Others		
1	BCA Syariah Bank	361.950.326	139.263.254	1.882.884	758.198.749	1.261.295.213
2	NTB Syariah Bank	-	-	277.650.281	704.546.964	982.197.245
3	Bank Syariah Indonesia Tbk.	12.877.000.000	3.168.000.000	73.857.000.000	25.977.000.000	115.879.000.000
	Total	13.238.950.326	3.307.263.254	74.136.533.165	27.439.745.713	118.122.492.458

Source: The processed data, 2023

According to Table 1 the total charity fund of the three Islamic Commercial Banks in 2021 amounted to IDR 88,844,644,128 with the largest amount coming from other sources such as donations grants *infaq* and *shadaqah* amounting to IDR 50,874,721,726 followed by receipts from penalties amounting to IDR 14,612,403,560 and nonhalal income receipts amounting to IDR 8,126,954,282 from Table 2 the total charity fund of the three Islamic Commercial Banks in 2022 amounted to IDR 118,122,492,458 with the largest amount also coming from other sources namely IDR 74,136,533,165 followed by receipts from penalties of IDR 13,238,950,326 and non-halal income receipts of IDR 3,307,263,254 these results are consistent with Lenap (2019) and Sholihah (2021) who found that Islamic Commercial Banks have disclosed non-halal income receipts in their financial statements in accordance with PSAK 101.

Furthermore, from the two tables it can be seen that the total non-halal income of Islamic Commercial Banks in 2022 has decreased. In addition, Table 1 and Table 2 also show the bank with the largest non-halal income among the three Islamic Commercial Banks, namely Bank Syariah Indonesia Tbk. with non-halal income of IDR 7,898,000,000 in 2021, the amount of which decreased in 2022, namely only receiving non-halal income of IDR 3,168,000,000. The same condition also occurred at BCA Syariah Bank with non-halal income of IDR 228,954,282 in 2021 and experienced a decrease in non-halal income, namely receiving IDR 139,263,254 in 2022. The least non-halal income occurred at NTB Syariah Bank, which amounted to IDR 0 or had no non-halal income at all in 2021 and 2022. The results of this study are in line with the results of research by Hartanto et al., (2019) which found that there are Islamic banks with zero non-halal income.

Sources and Uses of Charity Funds

According to the results of the review of the financial statements of BCA Syariah Bank, NTB Syariah Bank, and Bank Syariah Indonesia Tbk. for 2021 and 2022 the sources of charity fund for Islamic Commercial Banks include the following:

Table 3. The sources of charity fund in Islamic Commercial Banks

No	Sources of Charity Fund
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- 1 Donations/grants from owners, customers, or other parties
- 2 *Infaq* and *Shadaqah* from owners, customers, or other parties
- 3 Penalties fee on customers for not fulfilling obligations according to the agreement
- 4 Demand deposit interest receipts from conventional commercial banks

Source: The processed data, 2023

The results of the search conducted on the sources of charity fund and the analysis of the notes to the financial statements show that there are transactions indicating non-halal receipts in line with Lenap (2019) findings these non-halal receipts consist of receipt of checking account services originating from conventional banks and other receipts from fees commissions or other forms of receipts from other parties other than those entitled to receive them in accordance with management provisions regarding the distribution of charity fund the following are the details of the distribution of charity fund carried out by the three Islamic commercial banks:

Table 4. Use of Charity Funds in the Statement of Sources and Uses of Charity Funds in 2021 and 2022

No	Bank Name	Year	Usage	Description
1	BCA Syariah Bank	2021	529.758.415	Donations
		2022	515.396.830	Donations
2	NTB Syariah Bank	2021	1.346.140.000	Donations and Others
		2022	67.500.000	Donations
3	Bank Syariah Indoensai Tbk.	2021	59.529.000.000	Donations
		2022	108.831.000.000	Donations

Source: The processed data, 2023

According to Table 4, the use of charity fund by the three Islamic Commercial Banks is in accordance with the DSN-MUI Fatwa No. 123/DSN-MUI/XI/2018 regarding "The Use of Funds that Cannot Be Recognized as Income (TBDSP), Islamic Business Institutions, and Islamic Economic Institutions". The fatwa stipulates that TBDSP funds must be used and channeled directly for the benefit of Muslims and the public interest that is not contrary to sharia principles. BCA Syariah Bank, NTB Syariah Bank, and Bank Syariah Indonesia Tbk. have distributed charity fund in accordance with the fatwa, including for donations and public interests.

According to PSAK 101 paragraph 77, charity fund that have not been distributed will be recorded as current liabilities in the Notes to the Financial Statements. The receipt of charity fund by Islamic entities is recognized as the most liquid liability and is recognized as a reduction in liabilities when distributed. BCA Syariah Bank and Bank Syariah Indonesia Tbk. have recognized the balance of undistributed charity fund in the Notes to the Financial Statements as part of other liabilities. Meanwhile, NTB

Syariah Bank has not recognized the balance of undistributed charity fund as a liability.

These findings are consistent with Lenap's (2019) and Sholihah's (2021) findings, which show that in general, Islamic Commercial Banks have disclosed their non-halal receipts in the Source and Use of Charity fund Report and Notes to the Financial Statements in accordance with PSAK 101, although details have not yet been found.

Evaluation of Non-halal Income at the Three Islamic Commercial Banks

Table 4. Comparison between nonhalal income and operating income in 2021 and 2022

No	Bank Name	2021			2022		
		Nonhalal Income	Operating Income	Percent age	Nonhalal Income	Operating Income	Percent age
1	BCA Syariah Bank	228.954.282	116.984.348.453	0,20%	139.263.254	151.428.454.727	0,09%
2	NTB Syariah Bank	-	184.844.051.272	0,00%	-	235.835.302.833	0,00%
3	Bank Syariah Indonesia Tbk.	7.898.000.000	4.107.849.000.000	0,19%	3.168.000.000	5.647.674.000.000	0,06%
Total		8.126.954.282	4.409.677.399.725		3.307.263.254	6.034.937.757.560	

Source: The processed data, 2023

Table 5 above shows that the percentage of non-halal income receipts from operating income at the three Islamic Commercial Banks ranges only from 0.00% to 0.20%, indicating that the three Islamic Commercial Banks have tried their best to operate in accordance with sharia principles and minimize transactions for non-halal receipts. However, a deeper analysis still needs to be conducted on the non-halal income of Islamic Commercial Banks. The sources of charity funds in the form of penalties, donations/grants, *infaq* and *shadaqah*, and non-halal income in the Statement of Sources and Uses of Charity Funds are disclosed separately, but there are also Islamic Commercial Banks that categorize penalties as non-halal income. On the other hand, in the distribution of charity funds, non-halal receipts are still not separated from others. This study supports the results of Harkaneri & Reflisa's (2018) research on Non-halal Income as a Source and Use of *Qardhul Hasan* or Charity Funds in an Islamic Perspective which states that separation of use needs to be prioritized by separating the use of non-halal income which is specifically allocated for the public interest, namely public facilities such as road construction, building bridges and others, while the source of charity funds sourced from halal funds is allocated for consumptive donations or revolving loans (*qardhul hasan*).

CONCLUSION

The three Islamic Commercial Banks that were the subject of the study, namely BCA Syariah Bank, NTB Syariah Bank, and Bank Syariah Indonesia Tbk., have generally disclosed non-halal receipts in accordance with PSAK 101, namely in the Statement of Source and Uses of Charity Funds and Notes to the Financial Statements, although in

detail they have not yet explained the sources per item of non-halal income receipts transactions. In addition to non-halal income receipts, charity fund also come from donations/grants, *infaq*, *shadaqah*, penalties, and other sources. The three Islamic Commercial Banks have disclosed the sources and use of charity fund. BCA Syariah Bank and Bank Syariah Indonesia Tbk. have recorded the balance of undistributed charity fund as other liabilities in the Notes to the Financial Statements (CaLK), while NTB Syariah Bank has not recognized the remaining balance of charity fund as a liability.

Based on this, NTB Syariah Bank needs to recognize the balance of undistributed charity fund as a liability in the Notes to the Financial Statements in accordance with PSAK 101, as done by BCA Syariah Bank and Bank Syariah Indonesia Tbk. The percentage of non-halal receipts from operational profit and other comprehensive income ranging only from 0.00% to 0.20% proves that BCA Syariah Bank, NTB Syariah Bank, and Bank Syariah Indonesia Tbk. have tried their best to operate in accordance with sharia principles.

This study has limitations in that it only uses three Islamic Commercial Banks as research subjects. Therefore, it is recommended to conduct further research with more Islamic Commercial Bank subjects to obtain more relevant results. The managerial implications of this study are that based on the research results, NTB Syariah Bank still needs to recognize the balance of undistributed charity fund as a liability in the Notes to the Financial Statements in accordance with PSAK 101, as done by BCA Syariah Bank and Bank Syariah Indonesia Tbk.

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