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Phenomenological Study of Financial Management of Baitul Mal in Aceh Provincial Government

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Abstract: The purpose of this study was to study the phenomenon of financial management of Baitul Mal (BMA) in Aceh Provincial Government (Pemda Aceh) and determine the financial management model of Aceh Provincial Government. This study was conducted in Aceh Provincial Government. The study was conducted by qualitative method by collecting data using Focus Group Discussion (FGD) of institution and informants. The study was analyzed using NVIVO Software Version 1. The study showed that to manage the finances of BMA, Aceh Provincial Government must immediately reform the legislations, organizational structure and administration to create good financial management to realize transparent and accountable financial management. There were three steps in reforming the financial management of BMA. First, there should be a legal compromise and comprehension as well as seriousness of central and local governments. Second, BMA should manage the finances by considering local wisdom as the only province based on Islamic Sharia. Third, BMA should be made into Regional Public Service Agency (BLUD) which is more flexible in financial management so that the operation of BMA doesn't depend on budget and realization. If the model is realized, muslims will be victorious.

Key words: Baitul mal, financial management, institution legalization, BLUD, FGD

INTRODUCTION

Aceh Provincial Government (Pemda Aceh) is one of the 34 provinces in Indonesia. According to Law No. 25 of 1999 on Implementation of Distinction of special region of Aceh, Aceh Provincial government is the only province which implements Islamic sharia on the followers. After the release of the Law (UU), Aceh provincial government is distinctive in the implementations of: religious life; traditional life; education and the role of ulama in stipulating local policies.

The release of Law No. 11 of 2006 on Aceh provincial government (hereinafter referred to as UUPA), the tasks of Aceh Provincial Government are regulated in more details in managing regional autonomy. The structure of Aceh Provincial Government is also unique. On 19 November 2012, Aceh House of Representative (DPRA) approved Qanun No. 8 of 2012 on Wali Nanggroe (State Representative) which acts as the highest leader in Aceh Province in traditions (Sarea, 2013).

In law, Aceh Provincial Government applies Jinayah (Criminal) law based on Qanun No.1 of 2009 which is in effect starting from 15 September 2009. People who violate sharia will receive sharia punishments such as flogging.

As a consequence of the implementation of Islamic

sharia in Aceh Provincial Government in regional finances in the Revenue and Expenditure Budget of Aceh (APBA), alm is a part of the Locally-generated Revenue of Aceh managed by Baitul Mal Agency (BMA). This agency is so important that Aceh Provincial Government released Qanun No.7 of 2004 on management of alms across the region. Provincial BMA Agency is the only SKPA agency which doesn't exist in all provincial governments in the Republic of Indonesia (RI).

This phenomenon shows the uniqueness of regional autonomy, including sharia financial management in Provincial Governments based on sharia. The problem is financial management in this region still refers to conventional financial accounting according to the Regulation of the Minister of Home Affairs No.13 of 2006 (Permendagri) on Guideline of Regional Financial Management from United States (Anglo Saxon) which is also implemented by other provinces in RI. The inclusion of alms as a part of PAA as well as the distinction of BMA management shows a phenomenon which couldn't happen elsewhere in RI. Public accountability from conventional accounting management is different from sharia.

Different accounting treatment is a serious problem in budgeting of PAA which comes from alms, infaq, shadaqah (ZIS) and luqathah (found goods) and other

Table 1: Reception and distribution of ZIS of Aceh province in 2008-2014

| Years | Revenue Budget Rp | Revenue Realization Rp | ZIS Distribution Rp | SILPARp |
|-------|-------------------|------------------------|---------------------|----------------|
| 2008 | 1.836.000.000 | 17.379.763.129 | 3.368.643.400 | 14.011.119.729 |
| 2009 | 3.000.000.000 | 26.135.097.570 | 2.498.429.900 | 37.647.787.399 |
| 2010 | 3.000.000.000 | 20.724.949.431 | 3.696.482.600 | 54.676.254.230 |
| 2011 | 5.000.000.000 | 26.554.326.337 | 6.491.204.660 | 74.739.375.907 |
| 2012 | 8.961.710.458 | 29.002.486.873 | 33.182.918.682 | 70.558.944.098 |
| 2013 | 14.050.118.009 | 11.385.431.670 | 12.137.679.300 | 81.932.238.089 |
| 2014 | 10.000.000.000 | 25.176.003.008 | 8.604.615.000 | 98.503.626.097 |

APBA of Aceh Province (2008 to 2012), Baitul Mal of Aceh Province, 2014 (processed)

revenues. This is a major problem for Aceh provincial government. Reception and distribution at Aceh Provincial Government has a large amount of idle fund. Table 1 shows ZIS budget which amounts to over Rp 98 billion and can't be availed according to Governor Regulation (Pergub) No. 55 of 2010 on ZIS disbursement because it chooses to follow Permendagri. Because it's treated as PAA, ZIS must adopt regional financial mechanism.

The management of APBA budget of Aceh Provincial Government is always late in being getting approval and being realized. According to the studies of Jaringan Peduli Anggaran Aceh (JPA) and Public Expenditure Analysis and Capacity Strengthening Program (PECAPP), the Approval of Aceh APBA had been late for years. In fact the approval of APBA in 2015 was on 5 March 2015.

According to Islamic tradition, ZIS fund from muzakki must immediately be distributed by BMA when accumulated. When there is poverty, there is no syar'i stipulation for delay, especially if the amount is relatively large and in a relatively long time. Regional financial system which combines conventional and sharia mechanisms impacts the poor who is actually the priority of central and local governments.

In Islamic governments, BMA is a state institution which stipulates policies and is the implementation of financial policies and to achieve the purpose of an Islamic country which is public welfare. The function of Baitul Mal may be state treasurer which gathers and records state revenues, whether alms, ghanimah (spoils), jizyah (taxes), etc and distribute them to the people.

Although poverty rate in Aceh Province declines but because the population increases, the number of poor people increases over time. The statistic of poverty rate in the past 5 years in Aceh Province is show in Table 2.

The 2008 had the highest poverty rate but in 2009, 2010 and 2011 it declined. However, in 2012 with increased population, poverty rate reached 975.965 people although the percentage declined by 0.02%. A decline happened in 2013 but increased in the following year, 2014 by 18.05%.

Due to this phenomenon, to decrease poverty in Aceh a reformation of regulation of regional financial guideline in Aceh provincial government is necessary to

Table 2: Population and Poverty Rate of Aceh Province in 2008-2014

| Years | Total population | Poverty q (%) | Total poverty | Increase/decline |
|-------|------------------|---------------|---------------|------------------|
| 2008 | 4.293.915 | 23.53 | 1.010.358 | Increase |
| 2009 | 4.363.477 | 21.80 | 951.238 | Decline |
| 2010 | 4.494.410 | 20.98 | 942.927 | Decline |
| 2011 | 4.597.308 | 19.48 | 895.555 | Decline |
| 2012 | 4.693.934 | 19.46 | 975.965 | Increase |
| 2013 | 4.791.924 | 17.72 | 814.627 | Decline |
| 2014 | 4.897.346 | 18.05 | 883.971 | Increase |

BPS, Aceh in Numbers 2009, 2010, 2011, 2012, 2013, 2014 BPS, Aceh Province Analisa (10/4, 2013), Serambi (7/12,2012), processed.

have better financial management of BMA. The current regulation is dominated by regional financial regulation from American accounting concept which is against sharia. Making ZIS a part of PAA and implementing fully American regional financial management as today restricts ZIS fund management which will reduce the role of financial management of BMA to reduce poverty across Aceh.

The unique financial management of Aceh Provincial Government requires a new formula which will create a new concept in Public Sector Accounting by sharia through Financial Management of BMA. The formula from the new concept in financial management, if sharia is declared to be implemented, could be used by other Provincial Governments across Indonesia.

PAA and ZIS have different characteristics, managements and designations. PAA is expected to be an independence indicator in every region of RI, although it's impossible in practice because nearly all regional finances depend of the Central. In terms of characteristics, Permendagri explains that PAA is charges collected from people (Muslims and Non-Muslims) from local taxes, local retributions, result of management of separated regional assets and other legitimate PAA which are all collected by law (UU). Conversely, ZIS is also collected from Muslims. The management of regional finances from PAA must be based on Permendagri which came from Law No.34 of 2004 and applies to all regions in RI. The management of regional finances from ZIS, especially in Aceh Provincial Government, must be based on sharia, not Permendagri. The Financial Management is handed to BMA which handles all revenues and distributions to people. As we all know, ZIS managers are unique and discussed separately and it's the only Islamic law where the management institution is mentioned by Allah SWT in Al-Qur'an (Al-Qur'an S. At-Taubah, 60).

The designations of PAA and ZIS in local finances are also very different. PAA is designated for anyone, anything as long as not in violation with the state constitution including to non-Muslims. Conversely, ZIS has clear designation and as mentioned above, the managers are described clearly in Al-Qur'an. Thus, BMA has two local financial accountability reports for the regional head (Governor) which are BMA operation and the collection and distribution of ZIS based on UUPA and Permendagri.

Theoretical basis

Financial management of baitul mal of the governance of muhammad (SAW):

Baitul Mal is derived from two words, "Bayt al-Mal," where 'Bayt' means House and 'al-Mal' means Welfare. The words mean House of Welfare or House of Philanthropists (Possumah and Ismail, 2012), House of Money or House of Treasury, House of Wealth, National Treasury (Abdullah, 2012) and State Treasury (Haekal, 2007). Baitul Mal was first established during the time of Prophet Muhammad SAW in Madinah in around 624 M (2 Hijriah). In this year there was dispute of Ghanimah (spoils) distribution after Badar War. Badar War happened on 17 March 624 AD (17 Ramadhan 2 H). It was the first war between Muslims and the Quraish. Although, the Muslim force was smaller (313 people,) it was able to demolish the larger Quraish force (around 1000 people). The dispute of Ghanimah distribution caused verse 1 of Surah Al-Anfal on the status of the assets to be revealed.

The ulama agree that this verse is the foundation of the establishment of Baitul Mal in the time of Rasulullah (SAW). As the public financial administrator, Rasulullah (SAW) realized State Treasurer in Baitul Mal to store everything related to the welfare of Muslims. Baitul Mal, as the name implies was one of the state institutions aimed to collect and distribute alms, Jizyah (tax on non-Muslims), war spoils and Kharaj (land tax) to the poor. Baitul Mal is also a historical institution as it was a financial institution which managed state finances for public interests and public welfare whether for Muslims or non-Muslims. The financial operation of Baitul Mal in the governance of Rasulullah (SAW) is the pioneer of the current financial accounting. The accounting basis used by Muslims is Surah Al-Baqarah 282 of Al-Qur'an.

This Al-qur'an verse is a reminder that accounting for Muslims is not new. This surah was revealed in 622 AD which was the beginning of the migration of Muhammad SAW from Mecca to Medina and is the longest verse in Al-Quran. This verse is also called Al-Mudayanah Verse (debt and receivable verse) and includes obligation to write debts and receivables and have a third party

(notary) as a witness while emphasizing the importance of writing debts, no matter how little, along with the amount and time period (Shihab, 2009). It's the basis for developing Sharia Accounting which has become mandatory course in several national universities.

This verse states sharia accounting concept and practice and presents it in detail, starting from transaction (sales and purchase, muammalah) to the obligation to write along with evidence (witnesses). The writers must be honest and write it correctly (justly) and the debtors must do their obligations within a time period (set time). Interestingly, this verse is more detailed than worship guidelines in Al-qur'an, such as obligations to pray, fast, or pilgrim which re described in general (as the function of the translation of Al-Qur'an in general). The obligation for alms in verse 60 of Surah At-Taubah is detailed although the description is broader than in verse 282 of Surah Al-Baqarah.

This is important to argue accounting scientists who claim that accounting wasn't created in Italy by Luca Pacioli in 1494 (Kam, 1990; Anthony and Reece, 1983; Most, 1977; Hendriksen, 1982). Kam (1990) plainly states that accounting comes from Italy in 1494. According to the confession of the Genoan priest (Luca) who was an expert in mathematics, the first person who proposed the idea of Double Entry Accounting (DEA) was Benedetto Cotrugli in 1458 AD. He revealed it in his book which reached America, *Summa de arithmetica Geometria Proportioni et Proportionalita* (Review of Arithmetic, geometry and proportion

Baitul Mal is a milestone in the implementation of public sector accounting which is new in Indonesia. Public sector accounting started to be implemented after the release of the Law on local autonomy where local finance isn't centralized anymore.

Baitul Mal consists of three principles: welfare (wealth), representative (trust) and social-economic justice. Baitul Mal is established for the accountability in the fiscal system and public welfare. This institution regulates states finances and maintains the continuity of the state.

According to Maulana financial policy of islamic state, Baitul Mal which has a headquarter in Nabawi Mosque, Madinah, receives a lot of valuable goods and immediately distributes it for public needs and to people in need. Prophet Muhammad SAW assigns responsibility to collect fund for Baitul Mal in every state to the Governor outside Madina such as Yemen and Bahrain. To collect ZIS, Mu'adh ibn Jabal was sent to Yemen while 'Ubaydah ibn al-Jarrah was sent to Bahrain.

In the era of Rasulullah (SAW), goods which have been collected by Baitul Mal must immediately be

distributed to Muslims or for other urgent public interests. If the goods are war spoils (ghanimah), Rasulullah (SAW) always distributed one fifth of it (al-akhmas) after the war without delay. In other words, he immediately donates it for various purposes. Moreover, Baitul Mal was also turned into a bank by Rasulullah (Ahmad, 2004).

When the Islamic world is under the reign of Umayyad Caliphs, the condition of Baitul Mal changed. Al Maududi stated that previously Baitul Mal was managed carefully as a mandate from Allah swt and people, then in the reign of the Umayyad Baitul Mal was fully under the authority of the Caliphs and couldn't be questioned or criticized by people.

The situation above lasted until the 8th Caliph of the Umayyad, Umar bin Abdul Aziz (in power 717-720 AD). Umar tried to cleanse Baitul Mal from haram goods and tried to distribute them to people entitled to them. Umar calculated with the Amir under him to return goods from illegal matters.

Moreover, Umar returned his personal property which at that time worth around 40.000 dinar per year, to Baitul Mal. It's obtained from an inheritance from his father, Abdul Aziz bin Marwan. It included Fadak village, a village North of Mecca which since the death of the Prophet had become state-owned. However, Marwan bin Hakam (the 4th caliph of the Umayyad, in power 684-685 AD) made it his personal property and passed it to his children.

State income from kharaj, during the governance of Umar, increased sharply. It was due to many conquered regions. In the time of Umar bin Abdul Aziz, Baitul Mal became a clean state financial institution and was able to create welfare and reduced poverty by public welfare improvement programs (Abdullah, 2012).

As mentioned before, the function of baitul mal for "purely state fund and only public benefit" shifted at the emergence of Umayyad Dynasty. Since then, Baitul Mal is often intervened by caliphs who are assigned by lineage instead of democracy and based on competence. Baitul Mal became a "Royal Treasury" and its function to support public welfare decreases. The function of Baitul Mal becomes smaller now that it's only associated as an institution for alms, infak, donations and wakaf.

There are four countries which implement alms management which is supported by the kingdom or government, i.e., Saudi Arabia, Sudan, Malaysia (Haelak, 2012) and Brunei (Abdullah, 2012). In Saudi Arabian government, Baitul Mal is under the Department of Zakat and Income Tax which is a part of the Ministry of Finances. This department collects and distributes goods to mustahiq for public welfare through the Minister of

Finances. The kingdom of Saudi Arabia has Law of Alms called Zakat of Law and was released by the decree of the King of Saudi Arabia in 1956 through Article-1 of a royal decree No. 17/2/28/577.

Alms management in Malaysia is relatively better than Indonesia. This is indicated by the role of the government and institutions which manage ZIS and other sources which can be managed by amil institutions. In Malaysia ZIS is managed by the State Islamic Boards (MAIN) which are government representatives in all states. The government representative is based on a law made by the parliament. According to UU (Jadual Kesembilan Article 74 and 77, nationally) MAIN is generally given full authority in managing finances from Muslims by collecting and distributing the fund to mustahiq (Possumah and Ismail, 2012; Haelak, 2012). The constitution of alms management was established after the independence of Malaysia on 31 August 1957 and the government made alm institution a pioneer in helping the people to achieve welfare.

In Brunei Darussalam, it's also the responsibility of and is directly managed by the kingdom. The kingdom manages alms by Majlis Ugama Islam Brunei (MUIB) based on legal stipulation in the Laws of Brunei, 1/1984, Religious Council. In Chapter 77, Section 114, Kadi Court, handles everything related to managing the poor (Abdullah, 2012). Based on the study of Fouad Abdullah al-Omar (IDB), generally, alm managements in 13 Islamic countries (Jordan, Iran, Pakistan, Bahrain, Bangladesh, Saudi Arabia, Sudan, Iraq, Kuwait, Libya, Malaysia, Egypt and Yeman) vary. Because alms are a part of social finance, the implementation of alms management varies to reflect the varying social financial management in various Islamic countries including Indonesia. Some variations of the implementations are.

In the 13 Islamic countries, alms management is under positive laws which have been in effect for a long time, in the 1950s-1980s. In Jordan, law of alms was legislated in 1944 and is implemented by law by the government and since 1953 alms are included in income tax. In Yemen law of alms was approved in 1975 and is implemented by law by the government structure. In Malaysia, alms management before 1986 was performed under State laws and since 1986 it was performed under federal law.

In Pakistan, law of alms was approved in 1951 for income from individual and corporate funds and is implemented by law by the government structure. In Indonesia, the law of alms management was legalized in 1999 and is voluntary.

The alms positive laws generally contain income, management and distribution aspects of alms funds and vary in the implementation of the income aspect. In Libya,

Saudi Arabia, Pakistan, Malaysia, Sudan and Republic of Yemen, alms collection is established by positive laws on certain alms objects while in Iran, Bangladesh, Kuwait, Bahrain, Egypt and Iraq, alms collection and/or income are voluntary. In Iran, one fifth of the alms is the rights of the Imam. Generally, alms management and distribution are performed in the same institution. In Saudi Arabia, alms fund is transferred to Saudi Monetary Agency for the Department of social insurance, except for alms of agricultural products and fruits. In Libya, distribution mechanism is performed by various social organizations.

Financial management of baitul mal of aceh provincial government: There are two stipulations for Baitul Mal in financial management. Because it's a part of the government in SKPA, the first stipulation in financial management is Permendagri No.13 of 2006 which is the local financial management guideline in effect across Indonesia. The next stipulation is because according to Law No. 11 of 2006 on Aceh government, local government implements Islamic Sharia, the financial management of Baitul Mal must be based on Sharia.

Conceptual framework: The current condition illustrates factually what happens in BMA to improve financial management. The legal basis shows no coordination between the Central and regions and the structure in this institution could be improved due to conflict. The attention of central and local governments is expected to realize good financial management.

Based on document analysis, the model offered for smooth operation of the financial management of BMA was Regional Public Service Agency (BLUD). As shown in Law No. 1 of 2004 on State Treasury, BLUD model has unique financial management. As a service agency, the income can immediately be used without first transferring to local treasury as it's done today. Accountability can still be performed by BMA using BLUD system when it reports periodically to the head of the region.

Based on the analysis of Law No. 1 of 2004, there are several reasons why Baitul Mal can be BLUD like hospitals:

- BMA services the society by using "sold" goods and services
- ZIS is treated as PAA, so it's a part of regional financial management mechanism in APBA
- Goods and services aren't "sold" for profit
- The characteristics of ZIS management institution is similar to SKPA

- Public service is 24/7, according to the needs while local financial management is has a time limit. There is fundamental difference in community needs with formal time limit of budgets
- Financial management in BLUD must implement prudential principle by efficient and effective financial accountability. Fund is managed justly to try to get remaining balance of the budget (SiLPA)

Research type: This study used phenomenological qualitative method. Qualitative method (for this topic) could provide more in-depth knowledge on the phenomenon through investigation or get in-depth information which was difficult to collect by quantitative research (Holroyd, 2001; Aspers, 2009).

Research location and time: This qualitative research was conducted in predetermined social situations (Bungin, 2010; Sibarani, 2012). The social situations were actor, place and activity. This study was conducted in Aceh Provincial Government. This study also used NVIVO Software Version 10.

MATREIALS AND METHODS

Data type and source: The data type in this study was primary data. This data was collected from Focus Group Discussion (FGD) and informants related to the research topic. FGD is a group of a certain field to get a conclusion on inter-subjective meanings. FGD is a process of systematic data and information collection for a certain very specific problem by group discussion.

There were six groups which consisted of four sources. The source of local financial field was an academician of the Department of Accounting of the Faculty of Economy of Universitas Syiah Kuala (Unsyiah), The source of conventional Constitutional Law was an academician from the Faculty of law (state and local administrations) of Unsyiah, the source of Islamic Fiqh law was from Ulama Consultative Assembly (MPU) of Banda Aceh and the source of contemporary religious social organization from Muhammadiyah organization; and the source of financial operation was from BMA. To support the result of FGD, data was collected from informants. Five informants were selected, consisting of two groups, i.e. main informant and supporting informants. The main informant was the former Head of BMA of Aceh Province. This informant was selected because he knows a lot about the operations of BMA and he was the first Head of BMA. Supporting informants consist of 4 people who work in BMA. They work in treasury, collector, distributor and secretariat.

Research instrument: The key instrument of the qualitative study was the researcher. This study was designed using phenomenological study, one of the fields of qualitative study. Phenomenology is a study on natural phenomenon and meanings in local financial management of Baitul Mal in Aceh Provincial Government (Kafle, 2011). In the context of this study, Shariah financial management concept faced Local Financial Management used by the government of the Republic of Indonesia which is different from Shariah. Therefore, financial management of Baitul Mal which is consistent with Shariah was discussed.

This qualitative study didn't use population because it used a certain case in a certain social situation and the result wasn't applied to a population but transferred to another place with similar situation or social reality. The most important social reality was how to determine key informants who had a lot of information of the focus of the study. Informant selection in this study was purposive and snowballing. Purposive informant selection was performed because the key person was known. The key person was a Head of BMA.

There are three stages in informant selection in qualitative study, i.e., initial informant selection whether an informant (to be interviewed) or a social situation (to be observed) related to the research focus, further informant selection to expand the information description and track possible variations of the information and end further informant selection if no variation of information is found anymore. The three stages were performed by snowball informant technique. This technique is performed if when selecting an initial informant (gatekeepers informant) there is possibility to learn more and the gatekeeper informant recommends a more knowledgeable informant to answer research question.

In qualitative study, including phenomenological study, there are some techniques to collect research data. The main methods to collect qualitative data are interview, observation, field record and document study. To get input on the Financial Management of Baitul Mal for government which suits Aceh people, many documents were study to learn about the Financial Management of Baitul Mal in Aceh Province.

The data collection in this study used triangulation method. This method assumes that observation will be more accurate if it also uses interview and or documentation to correct the validity of the information collected by the two methods (Bungin, 2010). Triangulation technique prioritizes effectiveness of process and expected result. Therefore, triangulation can be performed by testing whether the process and the result of the method are going well.

The analysis of qualitative study is to understand a fact, not explain the fact. According to Denzin and Lincoln, "qualitative research is many thing to many people". Building and developing theories in qualitative researches are performed by "learning from the people" not like quantitative which is "learning about the people".

The data analysis was performed by Strauss and Corbin in Barowi and Suwandi, first, open coding stage in this stage the researcher tried to get as much data as possible on the subject which was financial management in Baitul Mal in Aceh Provincial Government. Second, axial coding stage, the result of the open coding stage was reorganized by category to develop into several propositions. Relations between categories were also analyzed in this stage.

All data was processed by NVIVO version 10 2014 from QSR International Pty Ltd., America. NVIVO (Nud.Ist Vivo) is one of the most interesting qualitative data analysis software series of Nud.Ist. This series is a well-known and widely-used software in the world today. It has great capability, from data search, compilation to theory formulation. Graphic ability is displayed in the formulaiton of diagrams from the developed theories.

RESULTS AND DISCUSSION

Research result bma establishment: Based on documentation study, BMA was established by the Decree of the Governor No. 18 of 2003 dated 16 Juli 2003 on Establishment and Structures of Organization and Administration in Nanggroe Aceh Darussalam (NAD) Province. However, BMA started to operate on 12 January 2004. Institutionally, alms management by Aceh Government wasn't new. Alm management in village governments (Gampong) was performed since the reign of Aceh Sultans, before RI was occupied by Netherlands. Village Governments managed their own finances, starting from collecting alms from muzakki to distributing them to mustahiq, through village officials as amil. Actually, alms management in this government was to bring order to financial administration for management and accountability to the people. Therefore, alms management in most villages (Gampong) in Aceh still applies until today. Alms management in higher government such as provincial government, is a progress and a big step in alms management in this country today.

The release of Law No. 18 of 2001 on Special Autonomy (Otsus) for NAD Province stipulates alms as Locally-generated Revenue (PAD) of the Province. So, BMA was formed to replace Bazis. It was established by the Decision of the Governor No. 18 of 2003 which is supported by Qanun No. 7 of 2004 on Alms Management.

Previously, BMA only existed at provincial level but with the release of Qanun No.7 of 2004, BMA wasn't only established in the provincial government but also Regency/City governments. At that time, BMA hadn't spread across Aceh because some Regencies/Cities still used the former institution, Bazis. It was due to lack of socialization on Baitul Mal in each Regency/City.

The release of Law No. 11 of 2006 on Aceh Government (UUPA) gave great authority to BMA as a non-structural regional institution. Article 191 explains that BMA is authorized to manage alms, wakaf and religious wealth. In view of the UUPA, Qanun (Local Regulation) No.10 of 2007 on Baitul Mal was release. This qanun states that Baitul Mal is stipulated as an independent non-structural local institution. The releases of UUPA and Qanun No. 10 of 2007 are a progress by the provincial government in inserting alms into local financial mechanism.

The inclusion of alms in local financial mechanism is unique in Provincial and Regency/City Governments across Indonesia. This law supports the position of Baitul Mal as a characteristic of SKPA/SKPK in a government.

Financial management of BMA: As a SKPA, the financial planning objects are ZIS fund and religious wealth. Because alms is a part of Locally-generated Revenue of Aceh (PAA) the planning is a part of the Department of Finances of Aceh (DKA) which compiles PAA in all SKPA. The amount of alms included in APBA is estimated by DKA. ZIS distribution for the next year is stipulated based on the decree of DPS resulted from meeting between the Head of BMA and DPS. This amount includes the remaining alms from the previous years, if any. According to Islamic law, alm distribution consists of eight asnaf and each percentage has been set, i.e. indigents, the poor, amil, muallaf, riqab, gharimin, fisabilillah and ibnu sabil. The fund from infaq, shadaqah and other revenues are directly managed by BMA. In the regulation of Aceh, infaq and shadaqah aren't included in PAA.

There are three administrations performed by BMA. They are revenue, expenditure and accountability administrations. ZIS revenue comes from DKA and BMA. DKA comes from salary/wage and Local Government partnerships while BMA comes from direct submission of ZIS by individuals to the treasurer. DKA records the recapitulation of revenue from Departments/Agencies and other vertical institutions. ZIS revenue isn't inserted journals and recorded as with PAA in general.

There are two periodical accountabilities of BMA which are temporary and permanent accountabilities. Temporary report is made before the audit by Public

Accountants. Qanun No.7 of 2004 in Chapter V article 17 states that Baitul Mal Agency must be managed based on Islamic Shariah principles, be transparent and be audited every year by Public Accountants. While waiting the audit result from Public Accountants, BMA makes temporary accountability by submitting financial statement similar to audit report format from public accountants.

Based on in-depth document analysis, BMA as an agency similar to SKPA, should be established by Qanun so that the financing can be performed using APBA. It's consistent with Permendagri on local financial management guideline which is revised by Permendagri No.59 of 2007. The establishment of BMA isn't defined clearly, whether as a part of an agency, a non-structural local institution, or SKPA. Based on the authority to manage finances, as a part of an agency, the finances of APBA was previously entrusted to Department of Islamic Shariah.

After the earthquake and tsunami disasters in Aceh, the central government assigned BMA greater authority. With the release of Government Regulation No. 2 of 2007 (later, Law No. 48 of 2007 on Management of Legal Issues to Rehabilitate and Reconstruct the Region and People's Lives of NAD and Nias Provinces), first, BMA becomes the representative supervisor of children who lose their parents or heirs which is assigned by the Decision of Shariah Court.

Second, BMA manages lands, properties and bank savings with unknown owners or heirs. Third, properties with unknown owners/heirs are under the supervision and management of BMA. Because it's considered non-structural government institution, the head of BMA and other supporting staffs aren't civil servants. This establishment is a part of other local institutions and officials as an elaboration of Law No. 44 of 1999. The government released Government Regulation No.41 of 2007 on Local Official Organizations, stating that BMA has a Secretariat run by civil servants. Article 44 of this Government Regulation states that "In regions which have special status or special autonomy, the establishment of local officials to implement the special status and special autonomy is based on regulation of the Minister with the consideration of the Minister who manages government affairs in the utilization of state apparatus".

In view of that, the Government released Permendagri No.18 of 2008 on Organization and Working Procedure of Special Institutions of NAD Province. For the same purpose, the Government also released Permendagri No.37 of 2009 on Guideline of Organization and Working Procedure of Secretariat of special regency/city institutions in Aceh government.

The establishment of secretariat actually strengthens the operations of BMA in Aceh Provincial Government because Implementing Agencies and Secretariat can work together to synergize in servicing the people. However, in reality, there is dualism in the management of BMA. Non-structural implementing agency is considered "contract employees" employed based on Qanun BMA No. 10 of 2007 while secretariat consists of structural officers employed based on Permendagri No. 18 of 2008. Qanun also doesn't clearly mention the nomenclature of BMA, whether head or chairman.

The description of ZIS as PAA is also unclear. Article 180 verse (1) letter d of UUPA states that alms are Locally-generated Revenue of Aceh (PAA). Article 191 of the Law also explicitly described that alms wakaf and religious wealth are managed by the BMA of Aceh.

The problems are, first, legal derivative of the laws of Aceh government, from Qanun No.7 of 2004 on Alm Management, Qanun No. 10 of 2007 on BMA, Decision of the Governor No.18 of 2003 on the Establishment of Organization and Working Procedure of BMA, Law No.48 of 2008 (previously Government Regulation No.2 of 2007) on Management of Legal Issues to Rehabilitate and Reconstruct of Aceh and Nias, Permendagri No.18 of 2008 and Permendagri No.37 of 2009 on the Establishments of Provincial and Regency/City Secretariats, don't clearly describe alms as PAA, so there is no agreement on alms as legal products related to BMA.

Second, PAA is understood to only accept alms. Actually, in the financial management of BMA is broader, from Infaq, shadaqah, luqatah (found goods) without any heir, guardianship of orphans, other properties such as lands and bank savings with unknown owners are BMA's tasks. As a result, BMA doesn't accept alms based on standard, especially in practice.

Third, there is no common understanding on the treatment of alms as PAA by inspecting officers, e.g., State Audit Board (BPK). It happens when the head of BMA hands ZIS to mustahiq before transferring it to the General Treasurer of Aceh (BUA). This treatment is discovered and becomes a legal issue.

FGD results varied but there was agreement that ZIS should still be PAA, local wisdom should be considered in local finances, BMA should be the emergency exit in increasing poverty rate and BMA should be BLUD. The stipulation of ZIS as PAA is a step forward because it acknowledges religious financial instrument in local and state finances, something unique in Indonesia and the world.

Local wisdom is a part of government policy in local finances but there is ambiguity in ZIS. The role of BMA as an emergency exit shows the concern of FGD

participants as poverty rate escalates significantly. Accumulated local fund from ZIS can't be used because it's against constitutional bureaucracy due to PAA.

Local wisdom is the main consideration if formal judicial step is impossible. The central government surely understands that the cohesiveness of religious understanding of Aceh is a non-negotiable cultural symbol which could provide dynamic space to give security in community life.

Local wisdom can be utilized to organize community life smartly and wisely (Sibarani, 2012), maintain natural balance in life (Mungmachon, 2012a, b) and prioritize morality over materials.

The autonomy of this region in managing its finances must be respected. The policy of the government of Calip Umar bin Abdul Aziz can be used as an example. The autonomy was used correctly in managing the finances of Baitul Mal. His very popular policy was expanding autonomy to all regions and not obligating them to submit tributes to the central. Conversely, the central government subsidized Islamic regions with poor tax and alm revenues and distribute alms from all regions evenly.

BLUD was the financial management of BMA suggested by all FGD participants. Although BMA doesn't sell services, the financial management of BMA is an intermediary between muzakki and mustahiq. The operations of BLUD should provide flexibility in collecting and distributing ZIS without waiting for regional fiscal approval from the parliament without putting aside the accountability of BMA to the local government.

BLUD is established to serve the people by providing goods and services sold not for profit and it performs its activities based on the principles of efficiency and productivity. The mechanism of BLUD is arranged in Permendagri No. 61 of 2007 which aims "to improve the quality of services for the public and realize the implementations of the tasks of the Government and/or Local Governments to improve public welfare and educate the nation (Article 3)."

If the FGD result is followed and BMA becomes BLUD, BMA will be converted into a nonprofit government organization. So, the financial management must be based on government accounting standard (SAP). However, according to PP No.23 of 2005 on Financial Management of BLU (as revised into PP No. 74 of 2012) the accounting standard in effect is Financial Accounting Standard (SAK) instead of SAP. Article 26 of PP No.23 of 2005 states that "The accounting and financial statements of BLU are performed consistent with the Financial Accounting Standard published by Indonesian accounting professional association." Article 116 of Permendagri No. 61 of 2007 which explains the

Technical Guideline of Financial Management of BLU also requires BLUD to perform accounting and make financial statements "consistent with the financial accounting standard published by Indonesian accounting professional association for healthy business management". As a nonprofit organization, using BLUD system, BMA must implement SAP, especially because it's related to the financial management of ZIS.

Today, good financial management, especially in the public sector, must be implemented to create financial transparency, accountability, effectiveness and efficiency (Malmrose, 2012). Quality accountability in the public sector, such as special budget (PAA-Sus) suggested by PWM Muhammadiyah and Amrallah has a special role to guarantee sustainability and excellence in public budgeting, similar to special budgeting in the public health sector (Llewellyn, 1993).

Social movement in public sector creates great role and urgency, particularly the implementation of good government management accounting will create rational social practice (Hopwood 1987, 2007; Miller, 1994).

The philosophy of the establishment of BMA in Aceh Provincial Government is increasing poverty. Central and local governments aren't able to reduce poverty significantly. This was why FGD stated that BMA was the emergency exit of Aceh Provincial Government. Research results show that alms can reduce poverty and help achieve justice in income and welfare distributions (Chapra, 1992; Abdelbaki, 2013). The implementation of Islamic Shariah is the right time to professionally establish BMA in Aceh Provincial Government. In Islamic governments, government institutions collect and manage alms (Helal, 2012; Ahmad, 2004) although Islamic countries now experience a decline (Sarea, 2013). According to Abubakar (Qardawi, 2004): "Al-Qur'an mentions prayer and alms together 30 times. Allah's order to pray with no mention of alms is mentions 30 times. Interestingly, the order for giving alms with no mention of prayer by another term with the same meaning is also mentioned 30 times. Praying doesn't have to be in congregation while alms must be in congregation".

Several important points in the FGD were the formation of BMA qanun, view that Permendagri is legally flawed governments' seriousness and good administration of BMA. The formation of BMA qanun shows that BMA is institutionally not feasible in managing local finances due to legal vacuum caused by lack of formation of institution as other SKPA. The central and local governments recognize it but don't provide legal facts on good financial management in BMA. According to institutional FGD and the informants, there are three reasons why BMA hasn't performed Financial

Administration, i.e., Alms as PAA haven't been treated comprehensively, legal problems and unclear BMA institution. Although based on formal legality, alms are PAA, this has various interpretations. BMA treats alms separately because UUPA requires it while according to FGD, all incomes should be combined because collection by local institutions must be recognized as local revenue because it uses state and local facilities. The release of Permendagri on local finances in effect in Aceh Provincial Government is considered legally flawed because it's substantially against Shariah because it's accommodated by the Law of Aceh Government. Both laws create a conflict which hinders local financial management. ZIS management based on Shariah is different from PAA management due to substantially different characteristics.

The result of FGD of FE of Unsyiah showed that for smooth financial operation, BMA must become full SKPA. It makes sense considering SKPA is formally in charge of managing state and local finances. Since alms, infaq and other revenues are included in local finances, the financial management may be through full institutional mechanism, although there are non-civil servant managers as the Implementing Agency. If BLUD system is applied, non-civil servants may have similar roles as before. This is the recognition of the region (state) on alms which is characterized by financial management of Islamic countries.

As we know, in Islamic countries, the position of Baitul Mal is very significant. In the times of Rasulullah, the reigns of Khulafaur Rasyidin and Ummayad Government (Umar Bin Abdul Aziz), Baitul Mal served as a Central Bank. Private properties even belonged to Baitul Mal since everything owned by everyone belonged to Allah (Mannan, 1992). Therefore, the region (state) must exercise alms as a vital instrument to fulfill basic needs in Islamic economy, similar to what happens in local finances (Chapra, 2000).

Today, countries with large Muslim populations have varying ways to manage finances from alms. However, some powerful countries have placed the states as the financial managers of alms, although they're not parts of state finances. For example, Sudan, Saudi Arabia, Pakistan, Malaysia, Yemen and Brunei Darussalam.

Central and local governments haven't seriously handled social facts in the financial management of BMA. Since its establishment until 2016, the government hasn't seriously organized the financial management of BMA-a fact criticized by nearly all FGDs. The role of BMA in reducing poverty in all regions is acknowledged by the government but it doesn't understand the meaning of ZIS. Some facts revealed by Amrallah, the former Head of BMA weren't heeded by the parliament and executives of Aceh government.

This supports the study by Sulong and Anwar (2012) on the importance of legal status in two regions, Aceh Province in Indonesia and Kedah State in Malaysia. Their research shows unjust alms and infaq distributions in both regions due to unclear legal statuses of distributions. As a result, zakat and infaq distributions don't reduce poverty.

In a larger scale, a study by Ibrahim (2015) on Islamic countries (Sudan, Kuwait and Malaysia) show legal uncertainty in alms managements, causing unsuccessful poverty reduction.

As mentioned in a previous chapter, the reign of Caliph Usman bin Affan continued the policy of Baitul Mal of the previous Caliph. Due to lack of supervision, there were many violations by the family of Caliph Usman bin Affan who was replaced by Caliph Ali bin Ali Thalib by firing corrupt officials.

Significant fiscal policies after the reigns of Khulafaurasyidin was the reign of Caliph Umar bin Abdul Azis (in power 717-720 M), after passing a time of emergency, some of the noted government policies were protecting and improving people's standard of living by reducing various tax burdens, removing forced labors and customs duty collection and because of widespread welfare, no one needed to receive alms anymore. Therefore, to increase awareness on the emergency, BMA must remind institutions (companies) and individuals who are able to give alms. Qaradawi (1999) states that spiritually alms can purify and clean human from greed, selfishness and arrogance.

Public financial management, especially related to religious finances, must be transparent and accountable. Allah swt explicitly states Surah Al-Baqarah 282 that sales and purchases (muammalah) must be recorded well with valid evidence (witnesses) if there is no writing instrument. As explained in the previous chapter, this financial management verse is the longest verse in Al-Quran. The next verse (283) describes banking transactions, a continuation of the previous topic. From this perspective, alms have higher position than sales and purchases. Therefore, good alms management must be more valid than other muammalah. All institutional FGD and informants agreed that good administration must be implemented to reform financial management in BMA.

In FGD, a public accountant explained that there was no financial accounting of BMA in his region, so auditing was difficult, especially in confirming between BMA and BUA. Therefore, in financial management, the administration in this public sector must be consistent with the standard. Accounting as an accountability instrument, can provide precise information on the financial management of BMA.

As far as we know, there is no accounting standard of alms management in government and public institutions anywhere in the world, including Indonesia where most of the population is Muslims. Today, there are few studies on alms accounting for business financial management, although it continues to be developed (Tslahi and Obaidullah, 2004; Sulaiman, 2003; Bakar, 2007),

For businesses, several alms accounting standards have been formulated by institutions such as Accounting and Auditing Organization for Islamic Financial Institution (AAOIFI), Financial Accounting Standard No. 9 (FAS 9): zakah Accounting and Auditing Organization for Islamic Financial Institutions, Malaysia Accounting Standard Board (MASB) of Malaysia and Alms Accounting Standard Statement (PSAK No. 109) of Indonesia by Indonesian Institute of Accountants (IAI). To support recognition of alms and other collections in government institutions, IAI can formulate alms accounting standard for the government to be used by Aceh Provincial Government and other provincial governments if they do the same. The formulation of alms accounting standard in this government can be the next breakthrough contributed by IAI for Aceh government and science.

The victory of muslims: If ZIS is treated as local finance and the financial management of BMA is good, according to FGD of MPU of Banda Aceh, Muslims in Aceh will achieve victory. This victory is expected to be a role model for other regions or provinces in Indonesia and abroad. There are two victories of Muslims which are individual piety and social piety (Al-Qur'an, 22:77). Individual piety is related to prayers, fasting, pilgrimage, etc. Social piety is related to benevolence to others, such as alms, shadaqah, infaq, etc. Islam suggests proportional balance between the two.

In practice, this balance doesn't happen in the society. Generally, individual piety is more dominant than social piety. There is even a contradiction in individual piety. An individual may worship intensely but perform evil deeds. However, many don't think of alms as an obligation but helping others. In short term, treating alms as a view of life in Islam will create a creative society. There will be balance which doesn't only contain Shariah but also dynamics and welfare: "this is the ideal Islamic society". Alms also can support family system and social welfare (Abdullah and Suhaib, 2011; Mannan, 1992).

Aceh Provincial Government must prioritize BMA, considering the contributions of ZIS to reduce poverty and improve welfare are significant. Stipulating BMA as SKPA is a positive step toward social welfare for the people of Aceh.

CONCLUSION

BMA hasn't managed its finances consistent with the guideline of local financial management whether conventional or Shariah. As a SKPA agency, the financial management should be based on Permendagri No. 13 of 2006. Based on Shariah, BMA also hasn't performed management consistent with Law No.11 of 2006 on Aceh Government.

Based on the research result, BMA doesn't have good financial management, including planning, implementation, administration, reporting, accountability and supervision. The research result also showed that there is no common understanding on alms as PAA. There is a difference on the understanding on alms as PAA between BMA and the local government. There is no common understanding on BMA, whether it's an Agency, Non-structural Local Institution, or SKPA. This institution has different meanings in Local Regulation, Qanun, Permendagri and Law. There is no common understanding on people managing finances in BMA. There are currently three managing groups in BMA which are DPS, Implementing Agency and Secretariat. DPS and Bapel may employ Non-civil servants while the Secretariat is civil servant and the head has an echelon. Local government isn't serious in handling BMA. The fund managed by BMA is very large but the management to reduce poverty isn't maximal.

Contribution of research result: The inclusion of alms, infaq, shadaqah, luqathah and other income in local finances is a unique phenomenon in science, especially Shariah-based public sector financial accounting. Aceh Provincial Government has included and recognized Islamic finances as a part of local fiscal mechanism to solve problems in each region, such as poverty reduction, education (alms for scholarships), housing, aids for the elderly, etc. This research result should be followed by concrete policies, whether by central or local government to support healthy practices in managing local finances.

These local financial practices should be facilitated by the making of Shariah-based public sector accounting standard by the central government and Indonesian Institute of Accounting (IAI). As far as we know, there is currently no Shariah-based public sector accounting standard in the world. AAOIFI which is based in Bahrain, created a financial standard for Shariah businesses and released No.9 but there is nothing for alm accounting in nonprofit institutions (nonprofit motive).

Accounting started from Government Accounting on March 622 AD (long before the birth of conventional accounting in the time of Luca Pacioli in 1494). There was

Badr war and Surah Al-Anfal Verse 1 on war spoils which were claimed by Islamic government under Rasulullah Muhammad (SAW) was given. Then, Baitul Mal was established as the first Ministry of Finances of Islamic Government in the era of Rasulullah SAW.

For financial accounting, Al-Quran in Surah Al-Baqarah verse 282 describes in detail the importance of recording cash and credits. As we all know, this verse is the longest verse in Al-Qur'an because it explains recording of cash and debts and receivables, so it's called debts and receivables verse (Shihab, 2009).

Therefore, considering the Al-Quran verses above, the central government and local government should follow up this research result by formulating a Shariah government accounting standard across Aceh Provincial Government. It's expected that Shariah government accounting standard starts from Aceh Province for the victory of Muslims across the world.

IMPLICATIONS

This research result has implications on public sector financial policies, whether in the central or local government. It showed that there should be complete reformation of the financial management of Baitul Mal in Provincial Government.

The Central Government must harmonize financial management policies, especially in Aceh Provincial Government, because they include alms, Infaq, Shadaqah, Luqathah and other income as a part of Locally-generate Revenue of Aceh Locally-generate Revenues of Regencies/Cities. This policy started with commitment to the Law of Aceh Government (UUPA) No.11 of 2006 by providing special facilities to manage its own financial policies based on Shariah.

Aceh Provincial Government releases financial management policies through Qanun of Aceh Government by using financial management facilities specially provided by the Central Government, at least only to manage the finances of Baitul Mal. These policies can be implemented by the Head of Baitul Mal accompanied by Regional Secretary to the Central Government after being recommended by the House of Representatives of Aceh (DPRA).

LIMITATIONS

This study was conducted on Aceh Provincial Government. The result illustrated the Financial Management of BMA which only exists in Aceh Provincial Government. Since, the research object was unique, this study couldn't be conducted in other

provinces in Indonesia. Similar studies can be conducted if the local governments recognize ZIS as a part of Locally-generated Revenue.

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SUGGESTION

- Central and local governments should immediately reform the financial management of BMA. The reformation should be done by instruments of central and local financial laws to have smooth financial management of BMA. There should be common understanding of local financial laws between the central and local governments, especially ZIS as PAA
- Considering the increasing acceleration of poverty rate in Aceh Province, Local Government should immediately distribute ZIS for people's needs without future legal problems. The central government should help the Local government to solve legal problems by allowing special implementation or special autonomy in local finances because Aceh Provincial Government is the only local government in Indonesia which is based on Shariah
- In financial management, the central and local governments can turn BMA into BLUD. The financial management mechanism of BLUD is more flexible, especially in ZIS distribution while still following financial accountability and transparency principles
- Provincial Government should fully implement BMA Institution such as SKPA. Therefore, BMA operates similar to other SKPA, especially in managing finances from APBA
- Aceh government should use the model offered by the result of this study. The steps in this model are believed to be able to solve persisting problems in the financial management in Baitul Mal whether in the Provincial Government or all Regencies/Cities in Aceh Province

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