

IMPLEMENTATION OF AGENCY THEORY INTEGRATIVE BY CREATIVE ECONOMY ACTORS

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Abstrak. Agency theory centers on two individuals: the owner (principal) and management (agent). Agency theory explains the relationship between the delegation of authority from the principal to the agent. The principal and the agent are seen as rational economic people who are solely motivated to maximize their respective personal interests. This study aims to know the agency theory in running the company entrusted to him, the Sunnah Rasulullah SAW. This study aims to analyze the agency theory model from a conventional perspective to support business actors, wants to produce an integrative-innovative agency theory model (Sunnah Rasulullah SAW) that is measurable related to business people. The analytical method uses in-depth descriptive analysis. The methodology used here is different from the methodology of research in accounting vivacious (mainstream), which emphasizes the use of statistical descriptive with interpretive stance with data analysis used is qualitative nature which in the study of the data used could not be expressed in figures. The results showed that the agency implemented by the Prophet as a representative of integration was quite varied, and this was also carried out by previous prophets. Among their main tasks is to introduce Allah and invite his people to believe in Him. In addition, the prophets and apostles are also tasked with correcting the negative behavior of their people in various aspects of life, including economic behavior. Therefore, in the implementation of this integrative agency, sharia transactions will be more profitable both in the global economy and the creative economy.

Keywords: agency theory; integrative; creative economy

INTRODUCTION

Modernism that we know today is the latest capitalism used to push any commodity on the surface of this earth. According to ([Supriyanto, 2020](#)), modernism is linear historical progress, absolute scientific truth and the engineering efficacy of an idealized society, and the standardization of knowledge systems with a production system. This can be explained by assuming that we cannot imagine that market expansion takes place without being preceded by capital accumulation with a market economy as an economic system in which the production of goods and the allocation of resources is determined primarily by decisions made in a competitive climate by economic actors rather than being determined by the state. Profit orientation has an individual goal is the main characteristic of a market financial system. It can be said clearly that this system is a form of the capitalist economy ([Bararuallo, 2019](#)).

Modernism itself turned out to have failed in several areas Rosenau in ([Adhim, 2018](#)), namely: First, modernism was unable to realize dramatic improvements as desired by its passionate supporters. Second, modern science cannot escape the arbitrariness and abuse of authority as manifested in preferences that often precede research results. Third, there is a kind of contradiction between theory and fact in the development of modern sciences. Fourth, there is a kind of belief that is unfounded, that modern science can solve all the problems facing humans and the environment, and this belief turns out to be wrong when we see that hunger,

poverty, and environmental damage continue to accompany the development of science and technology. Fifth, modern sciences pay less attention to the mystical and metaphysical dimensions of human existence because they place too much emphasis on individual physical attributes ([Tambunan & Medan, 2017](#)). Furthermore, the question arises why modernism is considered to have failed in elevating the status of humans and their natural environment? The answer is perhaps because the modern world is nothing more than a treatise political (political theater), namely a meeting between various characters in various discourses arranged in such a way by behavior regulators.

From this, then emerged Agency theory which was centered on two individuals, namely between the owner (principal) and management (agent). This theory explains the relationship between the delegation of authority from the principal to the agent. The principal and the agent are seen as rational economic people who are solely motivated to maximize their respective personal interests. The concept of agency theory views the agent (management) as the recipient of work from the principal (owner) and must report the activities given to him. Besides that, the principal will ask for specific compensation for what is done by management. ([Aida, 2020](#))

From the phenomena that occur, it is formulated. How is the model agency theory in a conventional perspective to support business people, and how model agency theory is the integrative-innovative that is measurably related to business people (Sunnah Rasulullah SAW)?

([Wahidahwati, 2002](#)) analyzes whether managerial ownership and institutional investors have a significant influence on the company's debt policy (capital structure) in manufacturing industries that go public on the JSE. This shows that institutional ownership has a significant effect and is negatively related to the debt ratio. This indicates that in making funding policies, the sample companies have implemented a combination funding policy of debt and equity. Furthermore, the company has considered managerial ownership and institutional ownership as well as control firm profit variables, and the company fulfills funds with its capital, especially internal funds from retained earnings. Suppose the source of own means is insufficient, then by considering the firm size, asset structure, growth, tax rate, earning volatility, and stock volatility variables. In that case, it is still possible to fulfill part of the funding through debt. With this balance, it can minimize the total agency costs in the company.

According to ([Putu & Jogiyanto, 2002](#)), their research discusses the interdependence of dividend and leverage policies with empirical evidence specifically for controlling agency cost of equity. The research results by ([Putu & Jogiyanto, 2002](#)) explain that increasing managerial ownership will make management's wealth more related to the company's wealth, so the administration will try to reduce the risk of losing their wealth. The way taken by management is to reduce the company's financial risk by decreasing the level of leverage. Low leverage is expected to reduce the risk of bankruptcy and financial distress. The relationship between

managerial ownership and power is also related to the risk of bankruptcy or bankruptcy expectations. The low leverage policy also reduces the risk of loss of wealth for shareholders. The interdependence of leverage policy with dividend policy shows positive results. Increasing dividends means that companies tend to use leverage to finance their investments because internal cash flows have been used to pay dividends.

They were stated by ([Abdurahman & Ludigdo, 2004](#)) that examine agency theory to become a more humanist theory by elevating the values contained in sharia to be included in the agency theory theoretical framework as well as designing the implications of the results of the deconstruction on the formation of accounting principles that are following the dimensions of the agency theory the study.

Novelty, however, when viewed from the nature of the trust that comes from God, both managers and directors have taken actions, not by the teachings of the faith. Violating the trust is an act that leads to betrayal, and this is a prohibited act, and a prohibition in religion is a "sin." ([Sudarma & Baridwan, 2010](#))

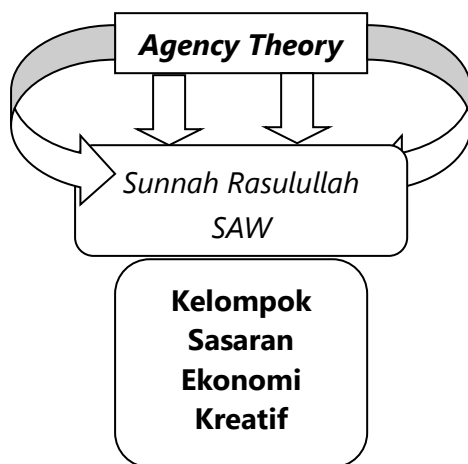
The Islamic reference used in this study is to use trust, so the conclusions in this study are only limited to this factor. The limitations of this study also lie in the author's understanding of interpreting the trust in detail from the same source.

Further in this research, the insight discrepancy between principals and agents and the information difference of agents make agents often report invalid asymmetric information to earn expected advantages. This moral hazard urges the

principals to implement a controlling system to watch management behaviors as Sunnah Rasulullah SAW. With research, the site was carried out in Malang SMEs.

MATERIALS AND METHODS

The research methodology used here is different from the research methodology in positive (accounting mainstream), which emphasizes statistical tools. Still, this study uses a relatively free design, namely the non-mainstream (interpretive paradigm, critical paradigm, critical paradigm). which significantly accommodates freedom of thought whose impact will be seen in the form of research design and the state of scientific construction ([Triyuwono, 2000](#))



This research approach is qualitative with the researcher's instrument because in detecting; (i) the pattern of agency theory in a conventional perspective to support business actors, especially the creative economy; (ii) pattern agency theory an integrative-innovative (Sunnah Rasulullah SAW) that is measurably related to creative economic actors.

The information that will be explored is business management, especially on

production management, carefully because it involves their 'company secret' so that research will not have a negative effect.

RESULTS AND DISCUSSION

Model Agency Theory in Conventional Perspective

The agency cost of equity can be reduced by inviting a third party to supervise the management and provide a more structured decision-making path through covenants. These third parties are usually called unitholders and debtholders (

from now on, only referred to as debtholders) entering through a debt policy (leverage). As leverage increases, emerges agency cast of debt. The higher the proportion of power, the risk of bankruptcy will increase so that debtholders require additional returns to cover the other dangers.

According to ([Putu & Jogiyanto, 2002](#)), their research discusses the interdependence of dividend policies leverage with empirical evidence specifically for controlling agency cost of equity. But because the agency cost of equity is difficult to observe directly, the used variables dividend policy and leverage considering the separation between the interests of management and shareholders' interests are different between agent and principal will lead the agency conflict that could affect the value of the company.

Ideal conditions are supposed to happen that the agent will make financial decisions favorable to the principal. The agency theory that discusses the relationship between agent and principal

can explain this phenomenon ([Mujtahidin, 2019](#)). In addition, it is explained that the increasing managerial ownership will make management's wealth more related to the company's wealth, so that management will try to reduce the risk of losing their wealth. The method taken by the administration is to reduce the financial risk company's decreasing the level of leverage. Low leverage is expected to reduce the risk of bankruptcy and financial distress. The relationship between managerial ownership and power is also related to the risk of bankruptcy or bankruptcy expectations. The policy leverage low also reduces the risk of loss of wealth for shareholders. The interdependence of the policy leverage with the dividend policy shows positive results. The increasing dividend means that companies tend to use force to finance their investments because internal cash flows have been used to pay dividends.

Starting from the conflict of interest, agency theory was born as a bridge for business people in analyzing the actions of the parties involved in agency relationships about financial statements. Agency theory itself is a descriptive theory that seeks to explain the relationship between positive accounting theory and accounting practice in agency relations. ([Irfana, 2019](#))

Agency theory was born due to the separation of functions within the organization, as seen in the concept of entity theory ([Ponto & Rasyid, 2017](#)). This theory considers the entity as something separate and different from the parties who name the capital in the company. Because the company believes that the company is independent of the owners, the attention is

more focused on the company as an entity. The equation that occurs in this theory is $Assets = Debt + Shareholders' Equity$.

In the company context, management acts as a person who is the owner of the capital trust. This relationship has consequences. Carrying out management (agents) acting on behalf of the company is required to carry out the principal's interests. In other words, the administration (agent) who has been authorized to make decisions consciously must act in a context that benefits the principal's interests. The problem that arises from this agency relationship stems from the desire of the management (agent) not to act in the best interest of the principal ([Ifada & Kurniawan, n.d.](#)).

Agents tend to get the maximum profit at the expense of other parties. These actors are often referred to as bounded rationality, and agents dislike risk (risk-averse). According to ([Jensen & Meckling, 1976](#)), the agency problem occurs when the proportion of manager ownership over your company's shares and 100% so that managers tend to pursue their interests and are not based on maximizing value in making funding decisions. Furthermore, ([Jensen & Meckling, 1976](#)) state that this condition is a consequence of separating the management function from the ownership function. The agent does not risk making mistakes in making decisions, and the principal entirely runs the risk. Therefore management tends to make productive expenditures for their interests, such as Salary increases and status.

Model Agency Theory about MSMEs

MSMEs are creative economic

institutions that are pretty old, which was proven during their existence in the financial crisis era. Likewise, during various market conditions so they in carrying out their business, they will be more innovative. Resilience in MSMEs due to independence and mastery of market information on production factors is also needed, especially to find out several things that support vital aspects, namely the source of raw materials required by Imodia locally and continuously, coverage on the price of raw materials they want to buy, they know where and how to get business capital, who will be used as a professional workforce and a decent level of wages or salaries for workers and where to get proper facilities and infrastructure.

MSMEs can use issues and Complete and accurate market information to do proper business planning, making product designs preferred by consumers, determining competitive prices in the market, knowing the target market, and many other benefits. This fact is the role of the government is very necessary for encouraging the success of MSMEs in gaining access to expand their marketing network. In addition to having ease and speed in obtaining market information, MSMEs also need comfort and speed in communicating or promoting their business to consumers both at home and abroad. Limited, so that relationships and transactions with consumers can not be guaranteed continuity. This can be caused by long distances or lack of communication intensity constraints. The communication factor in running a business is significant because communication will create a solid emotional bond with existing customers

and allow new customers to arrive. ([Violinda](#), 2018)

The MSME strategy in improving Human Resources to face the free market is the strengthening of counterpart institutions through increasing capacity building in the form of training and research activities that support the provision of credit to MSMEs. Researches that lead to support for determining direction and policies on finance (banking) in the context of providing technical assistance and helpful information in developing MSMEs. Regions in Indonesia, including in Java itself.

Agency Theory in the style of Rasulullah SAW.

Agency theory is a theory that requires a conflict of interest between the principal and the agent, where the agent provides accounting information, namely providing helpful information to help users make credit investment decisions and other rational decisions. For this reason, it is necessary to see further whether the information provided by the management (agent) is beneficial and reliable. Management's selection of accounting techniques in agency theory can be characterized by choosing an accounting method, namely the agent, in that the choice of accounting methods was made early. Contract, while export refers more to selecting accounting methods at the time of the contract ([Whittred & Zimmer](#), 1990).

In contrast to the research above ([Abdurahman & Ludigdo](#), 2004) examine agency theory to become a more humanist theory by raising the values contained in shari'ah to be included in the theoretical

framework of agency theory and to design the implications of the results of the deconstruction on the formation of accounting principles by the dimensions of the study. This study concluded that research agency theory is included in the arena of the paradigm of positive accounting. A research study that does not have the researcher's self-worth in the construction and development of research, so the reality formed from the research becomes value-free and tends to leave ethical values in the formation and development of the theory. Many researchers' inability of agency theory to become a universal and transcendental theory is more due to an error in the control mechanism in the formation and development of the idea. Agency theory cannot simply oppose the metaphysical reality brought by religion with reason empowered by humans.

One of the biggest misunderstandings among Muslims is that they view wealth as not very good. Wealth tends to be interpreted negatively because it has the potential to help human beings with God. Within the scope of this misunderstanding, it is almost certain that the money is not lawful. It isn't easy to find rich status with the predicate of holiness. This world is at the mercy of the infidels and prisons for Muslims. This short life of the world is an opportunity for the disbelievers to have fun, while our share is in the Hereafter, and therefore we have to be patient and accept it. Those are a few of the stereotypes that we often find in society. Those stereotypes often hold back Muslims from developing noble in their business. The misunderstanding was exacerbated by the

narrow terminology of *zuhud*, wrong *fardu kifayah*, inappropriate poverty, and the misguided nature of *qanua'ah*. We are encouraged to seek as much wealth as possible, but with a process that does not forget death (Surat At-Takatsur (102): 1-2), does not neglect *dhikr Allah* (Surat Al-Munafiqun (63): 9), does not leave prayer and zakat (QS. An-Nur (24): 37), and do not concentrate wealth only on a group of wealthy people (QS. Al-Hair (59): 7)

When wealth is used as the basis and symbol of success, what happens is an attempt to justify everything—ways to acquire and accumulate wealth. At the same time, the use of wealth tends to fulfill all the desires and ambitions of human egotism in responding. Obtaining and spending wealth often exceeds ethical, moral, and even reasonable limits. They can be very greedy, deceitful, and have no semi-sensitivity towards poor people. The wealth they get is only to fulfill two things that will never be satisfied.

First, for the sake of pleasure and luxury. Second, to maintain and or increase wealth so that a lifestyle of fun and luxury can continue. If possible, control the facilities or property of others to increase prestige or social status. The result is that rich people only care about their interests. The rich think that it is right to ignore people who are in hunger and poverty.

A lifestyle of pleasure or luxury is a life that is extravagant, more than what they need. Have many cars (luxury) but not according to need; have a lot of gold and diamond jewelry, but only to accumulate wealth or show it off; decorate the house's rooms with high-quality glassware, buy pets at very high prices, and so on. Not to

forget, they also adorn the house's walls with fantastic paintings that cost up to millions of rupiah. At the same time, the floor of the house was beautified with rugs that cost exorbitant.

That is, they fulfill specific needs of their own making, as well as the "*needs for promiscuity, nightlife, and other promiscuous lifestyles.*" For the sake of enjoying something, having fun, or increasing social prestige, they make people serve their lifestyle and sustain their personal goals

النِّسَاءِ مِنَ الشَّهَوَاتِ حُبٌّ لِلنَّاسِ زِينِ
وَالْبَيْنِ
خَيْلٍ وَالْقَنَاطِيرِ الْمُقَنْطَرِ وَمِنَ الذَّهَبِ الْفِضَّةِ وَالْأ
مَتَاعِ ذَلِكَ وَالْحَرْثِ وَالْأَنْعَامِ لِمُسْوَمَةٍ
الْمَأْبِ حُسْنٌ عِنْدَهُ ۗ وَاللَّهُ الدُّنْيَا الْحَيَاةِ

"Beautified for people is the love of that which they desire - of women and sons, heaped-up sums of gold and silver, fine branded horses, and cattle and tilled land. That is the enjoyment of worldly life, but Allah has with Him the best return." (Surah Ali Imran (4) 14)

CONCLUSIONS

The ideal condition is that the agent will make profitable financial decisions for the principal so that agency theory that discusses the relationship between agent and principal can explain this phenomenon. In addition, increasing managerial ownership will make management's wealth more related to company wealth, so that management will seek to reduce the risk of losing its wealth. In Javanese culture, which MSMEs dominate, the agency is applied

with a natural running model that is always responsive to changes, even though these changes occur without well-organized planning and control. They only rely on tentativeness with the assumptions and feelings they have. Agency Theory 'ala' Rasulullah is quite complete, which is based on the Qur'an and the Sunnah of the Prophet. Sharia regulates neatly with all the consequences that are broad in its implementation.

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