Islamic Corporate Social Reporting: Perspective of Makasid Al Shariah

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Abstract

The increasing power of Islamic fund is noticeable which require further attention of the practices of Corporate Social Disclosure. Previous studies in Islamic perspective of accounting literature dealt with issues in financial accounting and reporting rather than social accounting (Maali, Casson and Napier, 2006; Farook and Lanis, 2007; and Huseein, 2010) and even number of these studies argue that there is a need under Islamic teachings for more embracing criteria of social accountability and full disclosure (see Gambling and Karim, 1986; Mirza and Baydoun, 1999; Baydoun and Willett, 2000; Sulaiman, 2001; Lewis, 2001; Sulaiman and Willett, 2001; Maali et al., 2006), however most of them normally attempted to find the research of Islamic perspective of accounting to social accounting debates in the Western context. The main intention of this article is to develop a Islamic CSR framework based on the concept of Magasid Al Shariah. It plans to explain how

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Islamic shariah envisage corporate social reporting, specifically by developing a framework containing three dimensions (objectives, content and information types). The study reviewed past studies that have been conducted and will further explain on the approach used in developing the framework. It will then present the proposed Islamic CSR framework.

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Introduction

Research in the field of Islamic perspective of accounting has received much attention. One of the main factors that underlying the emergence of this literature are contributed by the growth of Islamic financial institutions (Napier, 2007; 2009) that were created as a result to economic, social and political changes in Islamic societies since the late 1960s. In addition, the movement toward more Islamic compliance business practice becoming more serious when many of these countries gain their independence. Countries such as Pakistan and Iran consciously identified themselves as “Islamic” republics and aimed to adopt Islamic Shariah for all aspects of human life including economic interaction.

Another main factor that contributed to evolution of accounting from Islamic perspective is the development of universities in Muslim countries, particularly those dedicated to the wider advancement of Islamic sciences and their application to the modern world (Napier, 2007; 2009). The recent economic and financial problem due to the Western financial system contribute further to the urgency in locating alternative and solutions to overcome some of the weaknesses of the western model in the recent financial and social crisis. The above scenario provide strong urge for research in Islamic finance and accounting including Corporate Social Reporting.

Rapid development of Islamic financial institutions has created a great economic impact not just to the Muslim countries but to other countries as well (Ahmed, 2013). Such economic activities if not properly govern might also leading to the wrong direction as what has been experienced with the western system. The issue of accountability and transparency is also applying in this context. This justify the need for Islamic Corporate Social Reporting to guide Islamic financial institution to report their practice and promote trust to the stakeholders.
Islamic perspective of accounting research appears to be developing since 1981; in which year Abdel-Majid form a tentative theory for the accounting practices of Islamic banks, which were beginning to emerge at that time as a significant force (Napier, 2007; 2009; Haniffa and Hudaib, 2010). Since that article, there have been a number of studies in this field; however few studies have addressed the issue of social accounting disclosure. Previous studies in Islamic perspective of accounting literature dealt with issues in financial accounting and reporting rather than social accounting (Maali, Casson and Napier, 2006; Farook and Lanis, 2007; Kamla and Hussain, 2010) and even number of these studies argue that there is a need under Islamic teachings for more embracing criteria of social accountability and full disclosure (see Gambling and Karim, 1986; Mirza and Baydoun, 1999; Baydoun and Willett, 2000; Sulaiman, 2001; Lewis, 2001; Sulaiman and Willett, 2001; Maali et al., 2006) however most of them normally attempted to found the research of Islamic perspective of accounting with social accounting debates in the Western context. Such attempt may not be accepted in Islamic society since behind this context secular capitalist assumptions that contradict with Islamic Shariah and then cannot be accepted as a tool to realize Maqasid Al Shariah.

In light of the above discussion, this study plans to explain how Islamic shariah envisage corporate social reporting, specifically by developing a framework containing three dimensions (objectives, content and information types). Determination of these three dimensions will be basing on Islamic Shariah and its objectives (Maqasid Al Shariah) and the relevant literatures.

The following section presents past studies in brief that have been conducted and followed by the method uses in developing the framework. It will than present the proposed Islamic CSR framework.

**Past Research**

Past study that look into social accounting disclosure from Islamic perspective so far are rare (Maali et al, 2006; Farook and Lanis, 2007). However, there are in the literature two types of studies which share the elements of social accounting disclosure from Islamic perspective and therefore could contribute to build the knowledge in this context. The first type belongs to those which discuss issues of
Islamic financial accounting disclosure. The second type dealt particularly with issues of voluntary accounting disclosure. Those studies in the second type are closer to demonstrate how Islam envisages social disclosure than those in the first, so the following discussion will be mainly reviewing the second type of the literature.

One of the earlier studies in this area was conducted by Haniffa (2001), in this study she suggested the use of the Islamic Shariah framework in developing Islamic social disclosure to fulfill both accountability and transparency objectives as it addresses the relationships between man and Allah, man and man and also man and nature. He then identified six themes (finance & investment, product, employees, product, society, and environment). Haniffa's suggestion indicates the importance of taking care of the environment in Shariah Islami'iah and stress the concepts of mizan (balance), i'tidal (moderation) and khilafah (responsibility) to maintain the environment and any act utilisation of environment is strongly condemned in Islam. Moreover, to disclose social and environmental responsibility information, Haniffa suggested that a qualitative report with some quantitative data addressing the important items in the six themes mentioned above.

Another study that is also mainly conceptual is the study of Sulaiman and Willett (2003). This study points out that social responsibility and environmental accounting issues would be essential components that need to be disclosed in Islamic corporate reports. They interpret the Global Reporting Initiative (GRI) sustainability reporting guidelines as a basis for providing social and environmental performance indicators of an Islamic corporate reporting model, since the GRI provide a very comprehensive list of social and environmental issues that a company needs to disclose. However, they emphasise that, for the specific case of Islamic corporate reporting, the GRI is required to be enhanced by adding in dictates of Shariah Islamiah.

The following researches dealt with mainly empirical studies that tried to investigate the influence of Islamic Shariah on social disclosure practice of those organizations which conduct their business according to Shariah (e.g. Yahya, Abul Rahman and Tayib, 2005; Maali et al., 2006; Farook S, Lanis R, 2007; Kamla and Hussain; 2010; Hassan I and Harahap S; 2010; Aribi and Gao, S; 2010; Ousama.A and Fatima,A.,2010). Yahya et al., (2005) examined the level of corporate social disclosure in Shariah approved companies in Malaysia. Only 102 companies out of the 194 companies in their sample disclose their social activities in the annual reports.
They further investigated the relationship between the level of corporate social disclosure and the number of Islamic equity fund holding shares in the same companies. Another empirical study that dealt with Shariah Approved Companies listed on Bursa Malaysia is the study of Ousama and Fatima,(2010) which investigate the extent of voluntary disclosure (conventional, and Islamic disclosure) in the annual reports of these companies. A disclosure index was developed, which consists of 59 items (including items related to the Shariah, i.e. Islamic items), to measure the extent of voluntary disclosure in the annual reports.

Maali et al, (2006) also attempted to investigate the influence of Islam on social reporting and develop a benchmark set of social disclosures to Islamic banks. The actual social disclosures contained in the annual reports of twenty-nine Islamic banks (located in sixteen countries) was content analysis to measure the volume of social disclosures. The findings suggests that social reporting by Islamic banks falls significantly short of the expectations. This is also consistent with findings by Farook S, Lanis R,( 2007) which measured the social disclosure levels of 47 Islamic banks, operating in 14 countries.

A more recent study by Kamla and Hussain, (2010) which examines reporting by ten Islamic banks regarding their social justice role in societies where they operate. They explore if certain themes related to social justice are present (or absent) from their annual reports and websites. By using ‘immanent critique’, the study delineates the values that Islamic banks claim to hold and confronts them with what it is in fact becoming as depicted by their disclosures (or silences). The study concludes that disclosures by Islamic banks explored in this study do not indicate that Islamic banks have serious schemes targeting poverty elimination or enhancing social justice in society. Aribi. and Gao (2010) in their study entitled “Corporate social responsibility Disclosure “A comparison between Islamic and conventional financial institutions”; examine the influence of Islam on corporate social responsibility disclosure in Islamic financial institutions. Using the content analysis approach, they examine the influences of Islam on social disclosure by looking into the annual reports of 21 conventional financial institutions (CFIs) and 21 Islamic financial institutions (IFIs) operating in the Gulf region. The results show that there is a significant differences in the level and the extent of the disclosure between IFIs and CFIs, largely due to the disclosure made by IFIs which focuses mainly on the religions related themes and
information, which include Shari’ah supervisory board reports, the “Zakah” and charity donation, and interest free loan.

**The Need Of Islamic Corporate Social Reporting Framework**

It is clear from the above review that there is lacking of study that look specifically into the Islamic CSR. The proposed framework by Haniffa (2001) was mainly based on the shariah concept which imply that it may not really covering the whole spectrum of CSR matters. Sulaiman and Willet (2003) tried to fill up the gap by suggesting to incorporate GRI guideline and the need to observe Shariah Islamiah. Such effort though seems to be completing each other but still does not really stand on the Islamic philosophy. This left Islamic CSR literature a big gap to work on.

Previous study in western CSR proved that social disclosure is used by organizations to justify their companies' continued existence, enhancing the corporate image or the reputation status of the corporate, and anticipate or avoid social pressure rather than using it as a reflection of their commitment to their social responsibility (Amran, 2006) as it should be in Islamic organizations. In the context of Islamic shariah organizations should operate in the shadow of Islamic economic system and consequently look into the holistic impact of their operation as what suggested by the concept of Maqasid Al Shariah (well being of all society). This effort should be in the core value of their operation and eventually be disclosed to the stakeholder. Kamla, (2009) argued that one of the issues that are contributing to the failure of Islamic banks to fulfill their claim is its failure to place social justice as the core value of its operations. This finding was concluded based on the content analysis of the reporting. This implies that disclosure is vital as a medium for stakeholder to be informed of what Islamic bank have done. Failure to do that will leave bad impression especially is the current time where CSR is seriously practiced by the conventional banks.

It is evident from the past studies that, there is no empirical study discusses about accountability issues and how Islamic CSR can be regarded as a mechanism through which accountability duties can be discharged. The past empirical studies mainly focuses on extent (number of words, sentences or pages) of social disclosure used to address the different social responsibility items (e.g., Maali et al, 2006; Farook and Lanis ,2007 ; Hassan and Harahap;2010; Aribi, Gou,2010). According to Beck et al.
(2010), these kind of studies can only be used to assess the completeness of disclosure, i.e., the number of items disclosed. However, in order to serve as a valuable tool for assessing the level of accountability, a measurement must also capture the information types provided.

In this context, Toms (2002) even argues that investigating only the volume of social disclosures is potentially misleading when it is the quality of disclosure that is important. Some studies (Adams and Harte, 2000; Adams, 2004; Adams, Hill and Roberts, 1995; Robertson and Nicholson, 1996; van Staden and Hooks, 2007) suggests that to discharge accountability, organizations should report comprehensively by providing information on their (i) aims and intentions, (ii) actions and (iii) subsequent performance concerning different social responsibility issues. Thus this study attempts to address the limitation in the prior research of social disclosure from Islamic perspective by proposing a framework that not only look into the disclosed social responsibility themes and items but also the accompanying information types (referred above) for each disclosed item. By providing an indication of both completeness (number of disclosed social responsibility items) and the comprehensiveness of social responsibility reporting, the examination would give a clearer view of the extent to which Islamic business organizations capable through their disclosures to discharge their accountability towards stakeholder groups.

**Maqasid Al Syariah As A Basis**

By reviewing of the related literature, Muslim scholars are of the opinion that Maqasid al Shariah is to promote the Falah which is an alternative expression to well being, people interests or the welfare of Allah’s creatures in this world as well as the Hereafter. This welfare lies in complete justice, anything that departs from justice to oppression has nothing to do with the Shariah (Chapra, 1992). Many of the Qur’anic verses clearly indicate that:

"Worship Allah and associate nothing with Him, and to parents do good, and to relatives, orphans, the needy, the near neighbor, the neighbor farther away, the companion at your side, the traveler, and those whom your right hands possess. Indeed, Allah does not like those who are self-deluding and boastful” (4:36)
“Indeed, Allah orders justice and good conduct and giving to relatives and forbids immorality and bad conduct and oppression. He admonishes you that perhaps you will be reminded” *(Quran 16:90)*

This well being, interests or welfare includes five main areas as determined by Al-Ghazali: (1) protection of self human (life), (2) protection of al-Din (faith), (3) protection of human generation, (4) protection of intellect, and, lastly, (5) protection of wealth or resources. To show how these five sub-goals can be realized, it is necessary to specify the major needs of human beings in each sub-goal that must be satisfied. These needs are explicitly or implicitly evident from the Quran and the Sunnah and elaborated by jurists in their discussion, and these are:

**Protection of human self (Nafs):**

Human beings, as Khalifahs or vicegerents of Allah, are the end as well as the means of development as Chapra (2008) stated, they are themselves the architects of their development or decline in this respect the Qur’an says:

“God does not change the condition of a people until they change their own inner selves” *(Quran 13:11).*

This is the reason may be that made some jurists such as Fakher Al Din Al Razi (D 606/1209) gives the first place to protection of human self in the sequence of Maqasid. To realize this sub-goal some important spiritual as well as material needs must be satisfied.

**Protection of faith (Al Din):**

Human beings are the end as well as the means of development, then their reforms as well as well-being need to be given the utmost importance (Chapra, 2008). It is the religion which carries the greatest potential of ensuring the reform of the human self in a way that would help ensure the fulfillment of all the spiritual as well as material needs of the human personality. Chapra (2008) stated that by providing moral values and rules that command behavior of human beings and transform individuals into better human beings through a change in their lifestyle, tastes, preferences, and attitude towards themselves as well as their Creator, other human beings, resources at their disposal, and the environment. Since living up to these values requires a certain
degree of sacrifice of self-interest on the part of all individuals, faith help motivate an individual to live up to these values and to fulfill all his/her social obligations that involve a sacrifice of self interest.

**Protection of human intellect:**

Intellect is the distinguishing characteristic of a human being, and needs to be protected in order to improve the individual’s own as well as his society’s knowledge and technological base and to promote development and human well-being (Chapra (2008). In Islamic worldview giving emphasis to the role of faith in realizing the Islamic vision of well being does not necessarily mean the downgrading of intellect. This is because revelation and reason are like the heart and mind of an individual and both of them have a crucial role to play in human life. It is faith which provides the right direction to intellect. Without the guidance of faith, intellect may lead to more and more ways of deceiving and exploiting people and creating weapons of mass destruction. The neglect of any one of the two cannot but ultimately lead to decline. The Quran itself strongly asserts the use of reason and observation:

*Indeed, in the creation of the heavens and the earth and the alternation of the night and the day are signs for those of understanding (190) Who remember Allah while standing or sitting or [lying] on their sides and give thought to the creation of the heavens and the earth, [saying], “Our Lord, You did not create this aimlessly; exalted are You [above such a thing]; then protect us from the punishment of the Fire.” (Quran, 3:190–191)*

**Protection of human generation:**

No civilization can survive if its future generations are spiritually, physically, and mentally of a lower quality than the previous ones and are, therefore, unable to respond successfully to the challenges that they face (Chapra, 2008). There must, therefore, be continuous improvement in the quality of the future generation, which depends on a number of factors as determined by Chapra (2008):

- Proper moral upbringing of the children: In order to make them good Muslims, it is necessary to inculcate in them all the noble qualities of character (khuluq Alasan) that Islam requires in its followers. They should learn from their very childhood to be honest, truthful, conscientious, tolerant, punctual, hard working, thrifty, polite, respectful towards their parents and teachers, willing to fulfill all
their obligations towards others, particularly their subordinates, the poor and the disadvantaged, and able to get along with others peacefully.

- Marriage and family integrity: The family is the first school for the moral upbringing of children and, if this school fails to inculcate in them the good qualities of character (*khuluq Alasan*) that Islam expects in its followers, it may be difficult to overcome the setback later on.

- Proper education: this factor is necessary for the protection of new generation to provide them the skills that they need to enable them to stand on their own feet and to contribute effectively to the moral, socio-economic, intellectual and technological development of their societies.

- Clean and healthy environment: so that they are physically and mentally healthy and capable of playing their roles effectively in their society. If the children do not get proper nourishment along with a clean and healthy environment and proper medical care, they may not grow up to be strong and healthy adults and may not, thus, be able to contribute richly to their societies even if they are morally upright and well educated.

**Protection of resources (wealth):**

Resources is a trust from Allah and needs to be protected and used honestly and conscientiously for fulfilling the needs of all, removing poverty, making life as comfortable as possible for everyone, and promoting equitable distribution of income and wealth. Its acquisition as well as use needs to be primarily for the purpose of realizing the Maqasid. This is where faith has a crucial role to play through its values and its motivating system. Without the values that faith provides, wealth would become an end in itself. It would then promote unscrupulousness and accentuate inequities, imbalances and excesses, which could ultimately reduce the well-being of most members of both the present and future generations. It is for this reason that the prophet said:

“*Wretched is the slave of dinar, dirham and velvet.*”

Therefore, faith and wealth are both extremely necessary for human well-being. None of these two can be dispensed with. While it is wealth which provides the resources that are necessary to enable individuals to fulfill their obligations towards
Allah as well as their own selves, fellow human beings, and the environment, it is faith which helps inject a discipline and a meaning in the earning and spending of wealth and thereby enable it to serve its purpose more effectively.

From the previous discussion of five sub-goals of Maqasid it is evident that they placed social interest in their very heart and thus, they could serve as foundations to Islamic perspective of social accounting disclosure of business organizations. Indeed, Maqasid al-Shari`ah reflects the holistic view of Islam which has to be looked at as a whole not in parts as Islam is a complete and integrated code of life and its goal encompasses the whole life, individual and society; in this world and the Hereafter. Hence, a deep understanding of Maqasid al-Shari`ah entails intense commitment of every individuals and organizations to justice, brotherhood and social welfare. This will inevitably lead to a society whereby every member will cooperate with each other rather than compete, as success in life is to obtain the ultimate happiness (falah). Thus mere maximisation of profits cannot, therefore, be sufficient goal of a Muslim society. Maximisation of output must be accompanied by efforts directed to ensure spiritual health at the inner core of human consciousness and justice and fair play at all levels of human interaction (muamalah). Only development of this kind would be in conformity with the Maqasid al-Shari`ah (Chapra, 2000) and would also differentiate Islamic society on Western one.

Method For Developing Islamic Csr Framework

In developing the framework, past researches have been reviewed and AAOFI approaches have been identified to be the main references. There are two approaches stated in the AAOFI (1996) document namely:

(i) **Contemporary accounting based approach:** This approach start with western contemporary accounting thoughts, test them against Islamic Shariah, accept those that are consistent with Shariah and reject that are not. The proponents of this approach argue that it is practicable in nature (Rashid, 1987). Abdelgader (1994) asserts that this approach is in line with the Islamic judicial principle of Ibaha (permissibility) which suggests that everything is permitted and lawful except that which is explicitly prohibited in the Holy Qur`an or in the Sunnah.

(ii) **Deduction from Islamic Shariah approach:** This approach is based on the spirit of Islam and its teaching to establish accounting objectives and then considers
these established objectives in relation to western contemporary accounting thought. This approach deduces the Shariah precepts into what ought to be the objectives of accounting, if necessary, these could be supplemented by Western objectives of accounting that do not contradict Shariah precepts and are deemed to be appropriate for Islamic business organizations.

This study adopts the second approach (Deduction from Islamic Shariah approach) in order to assure that the whole effort is founded base on the Islamic worldview and philosophy. Islam has its own worldview and objectives which should be used to govern economic and social aspects in Islamic society including accounting in general and social accounting in particular. This study apply normative perspective is developing the framework. It is important to seek what should be framework based on the Islamic concept rather than just succumbed to the status quo of the western practices. Kamla (2009, p. 929) critiques the past work in Islamic accounting literature as fails to live up to its own proclaimed normative ethical dimensions.

Qur’an says:

\[ \text{Qur’an 13:11} \]

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God does not change the condition of a people until they change their own inner selves (Qur’an, 13:11).
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Shahul (2000) stated that starting with western thought (the first approach) may reflect a deviation of normative approach of Islam (Shahul, 2000) and may even contradict Shariah, hence it cannot be a basis for developing a theoretical framework of accounting in Islamic society. To further support our choice, we strongly believe that deduction from Islamic Shariah approach seems to be in line with one of the methods of getting knowledge in Islam that called Qyais (or analogical deduction) (there are three other resources to get knowledge in Islam: Quran, Sunnah and Ijma). Qyias is the extension of Shariah ruling from an orginal case (Asl) to a new case (Far) because the new case has the same effective cause (Ilah) as the original case. The original case is regulated by a text of the Quran or the Sunnah and qyias seeks to extend the original ruling to the new case. For jurists, qyias is a methodology to keep new developed areas (social disclosure in the case of this research) close to Quran or the Sunnah and the major justification of validity of qyias is ruling in new areas could diverge a lot if qyias was not applied (for more details about qyais in Islam see for example Kamili, M.H, 2010).
In light of the above argument, methodology used in this study to propose a framework to Islamic vision of social disclosure which hoped to meet the objective of Shariah (Maqasid) will be as follow:

1. Studying Islamic worldview and Maqasid Al Shariah (objectives of Islamic Shariah) and identify how they affect economic activity, social responsibility and accounting disclosure of business organizations in Muslim society.

2. Identify the main objective and subsidiary objectives of social disclosure from Islamic perspective (one of the components of the proposed framework to Islamic vision of social disclosure) that basing on: (i) Maqasid Al Shariah and Islamic shariah. (ii) The existing literatures related with Islamic perspective of accounting. And when necessary supplement that by Western understanding of social disclosure that do not breach Shariah precepts and are deemed to be appropriate for Islamic business organizations.

3. Identify the rest of the components (content and information types) of the proposed framework. Basing on the literature and accounting techniques developed in the West which can be incorporated in Islamic vision of social disclosure to achieve its objectives, therefore the subsidiary objectives were translated into certain areas and items, and then determine information types requested for each disclosed item.

The Proposed Framework
The framework starts by understanding the original objective of CSR. Gray et al. (1987) who defined corporate social disclosure as" the process of providing information designed to discharge social accountability. Typically this act would be undertaken by the accountable organization" (1987, p. 4). The accountability here is concerned with the right to receive information and the duty to supply it (Gray, 1992) which describes “an obligatory relationship… in which one party is to give an account of its actions to other parties” (Williams; 1999, p. 170). Thus, social accounting disclosure from Islamic perspective is concerned with the notion of accountability like Islamic life in general and because the notion of accountability in Islam has been perceived as the crop of Islamic worldview and the compliance to Shariah (which aims to improve people’s welfare and protect people’s rights by regulating the relationship of human being to; his Creator (Allah), others and his society and
environment) is a measure of accountability, therefore, even the researcher adopts the above definition to social disclosure to Islamic business organizations but Islamic worldview and Maqasid Al Shariah will be used to clarify who and what makes organization accountable for their actions, what are organizations accountable for? To who is the account made? And what the accounts are contained? These questions will be discussed in the light of Islamic Shariah to deduce how Islam envisages social disclosures.

According to the definition of social disclosure and basing on concept of accountability in Islam, to be possible for Islamic business organizations to discharge their social accountability, it is necessary of existence three fundamental elements, these are:

1. Expect achieving certain social responsibility goals which derived and based on Maqasid Al Shariah (What are Islamic business organizations accountable for?)

2. There is a commitment by business organization (to Allah and either to different stakeholders groups) for these goals whit seeking to achieve them (To whom Islamic business organizations are accountable?)

3. Providing information to discharge the accountability about the expected goals and to what extent have been achieved (How are these accountabilities discharged?).

The following discussion will be presenting the argument for information needed to be disclosed based on the above three fundamental outline before the propose framework is than summarised at the end of the discussion.

**What are business organizations accountable for? and to whom?**

Responding to this question will lead to the understanding of what kind of information needed. It is akin to the stakeholder theory but the approach will be from the perspective of Maqasid Al Shariah. Maqasid alshariah covers almost all aspects of muslim lives (viz., protection human self, faith, human intellect, human generation and human recourses) and lead in its end to well being of all society (welfare), then all muslim are committed and also expected to seek for achieving this end . In view of this, Islamic businesses organizations and Muslim businessmen are committed to conduct their business activities as such to achieve well being of those who are under
their influence (stakeholder groups) by adoption certain social goals that ensure their welfare (Welfare of employees, Welfare of customers, Welfare of environment and welfare of society).

In Islam unlike in western capitalistic context, there is potential to ensure the harmony between business interest (self interest) and interest of other stakeholder groups (social interest). Islamic business organizations commitment should aligned with the principles of Shariah to achieve goals of Maqasid. The harmony argued above is possible as the first criteria of Islamic business organization is accountable to Allah. Who is the Sovereign Lawgiver and the primary source of the Shariah and He is the absolute and eternal owner of everything on earth and in the heavens (Concept of Tawhid), man has been appointed His vice-regent on earth (concept of Kilafah). This implies that the business authority is limited and not absolute.

Since the primary objectives of the Shariah is the well-being of all people and not of any specific group, it is the moral and legal commitment of business organizations to ensure the realization of such well-being through the adoption of all necessary measures, including their social responsibilities towards stakeholder groups, The Prophet, may the peace and blessings of God be on him, said:

“Everyone of you is a shepherd and accountable for his or her flock”.

“Anyone who has been given the charge of a people but does not live up to it with sincerity, will not taste even the fragrance of paradise”

“The most beloved of mankind and the nearest to God in rank on the Day of Judgment will be a just ruler, and the most despised of them and farthest from Him in rank will be an unjust ruler”

We strongly believe that such commitment will motivate individual (or business organization as a group of individuals) to work in the interest of society. This will help business shun the self interest inherent in human attitude. It is here that belief in accountability before Allah and the Hereafter become indispensable. Chapra (1992) argues that these beliefs supply a powerful motivating force for socially-oriented action by giving self-interest an infinitely longer perspective. They imply that an individual's self-interest is not served only by improving his condition in this world but also in the Hereafter. Hence, if he is rational and seeks what is truly in his best
interest, he will not act merely for his short-term this-worldly well-being but will also try to ensure his long-term well-being by working for the well-being of others through a reduction in his wasteful and unnecessary consumption in spite of the financial ability to be profligate. The resources which are thus saved can be diverted to the increased production and distribution of need-fulfilling goods, thus serving the interest of the poor.

The second criterion is the business’s accountability before all stakeholder groups and not just shareholders. Islam recognize private ownership and every one has the right to own proprieties, but the ownership in Islam is not absolute. A person holds property in trust for Allah (Ahmad, 1995; Ismail, 2011), and thus should use this property according to the way determined by Shariah which ensure welfare of all stakeholder groups. This implies that the resources in disposal of business are a trust from Allah as well as from the people given to those who manage the affairs of the business to be used according to Allah’s will and therefore to the benefit of society. The Prophet, peace and blessings of Allah be on him, emphasized this clearly to Abu Dharr, who wished to acquire a position to manage affairs of other people, by saying:

"0 Abu Dharr! You are weak and this position is a trust. It will be a source of disgrace and regret on the Day of Judgment except for him who acquires it deservedly and fulfils its obligations upon him. "

Therefore, while business organizations are accountable to Allah for its success or failure in living up to the trust and realize Maqasid Al Sharia, they are also accountable to the stakeholder groups for realizing their expectations and aspirations in conformity with the terms of the trust and Maqasid as well. However, the business organization cannot fulfill its role of realizing the stakeholders’ expectations and aspirations effectively unless it is open to their suggestions. So it is important to be there a general atmosphere of Shura (Arabic word means consultation) .This is an obligation and it is not an option in Islamic society, as required by the Qur’an:

“And those who have responded to their lord and established prayer and whose affair is [determined by] consultation among themselves, and from what We have provided them, they spend” (Quran42: 38)
In this respect, social responsibility goals should be developed in conjunction with and to reflect the needs and expectations of stakeholder groups they consulted. This is consistent with Broadbent, Dietrich, and Laughlin (1996), whom argued that an Ideal Speech Situation would enhance accountability by providing all stakeholders with the right to enter the discourse and to present their views and to challenge the views of others. Also Unerman & Bennett (2004) stated: "an open, honest and unbiased ideal speech situation debate among all stakeholders should therefore lead to the acceptance by all stakeholders of a democratically determined consensus view of corporate responsibilities" (Unerman & Bennett, 2004, p. 691).

According to Islamic Shariah, commitment of business organizations to certain social responsibility goals after taking stakeholders’ expectations on consideration, will not occur without the active support in word and deed, so Islamic business organizations must let their actions speak louder their words, in this regard Quran say:

"O you who have believed, why do you say what you do not do? Great is hatred in the sight of Allah that you say what you do not do"

In this sense, business organization should translate its descriptive commitment to social responsibility goals into workable components. Consequently, the step requires direct and purposeful management intervention to ensure that a measurement framework is put in place that captures information pertaining to the achieving of social responsibility goals (following section discusses this point).

The information contained in social accountability reports (how these accountability discharged?).

The criteria discussed in previous section ensure business organizations are committed to their social responsibility towards stakeholder groups may not be satisfied unless business organizations who wield a power derive their authority from the stakeholder groups and answerable to those groups of stakeholder in ensuring the quality of their performance and actions. This demands a system of social disclosure to provide information to discharge the accountability of business organizations. The concept of disclosure then can be relate to the concept of accountability (Maali, 2006), thus accountability can be serve as the main objective of social disclosures in Islamic business organizations. And the accountability here considers as "the duty to provide an account (by no means necessarily a financial account) or reckoning of
those actions for which one is held responsible" (Gray, Owen and Adams, 1996, p.38). Without such accounts from one hand, stakeholder groups cannot be able to know how (and then account) business organization manage their well being.

The quality of reporting has been discussed in the past literature. Previous study have been criticized for the focusing on extent of items being disclosed with considering the strategic commitment of the business (Bouten, Evereart, Liedekkerbe, Moor and Christiaens, 2011). Bouten et. al (2011) suggest business to provide comprehensive information of corporate social responsibility (CSR) reporting, which is an important aspect of social and environmental accountability. Comprehensive reporting, as defined here, requires three types of information for each disclosed CSR item: (i) vision and goals, (ii) management approach, and (iii) performance indicators. In Islamic context, stakeholder groups expect business organization to achieve their welfare by adopting certain goals based on Maqasid and which no doubt will ensure that, In return business organization is committed to these goals and it is responsible to do all it can to achieve them. Thus in order to discharge accountability of business organization towards stakeholder groups, it is necessary to prepare accounts that contain the three types of information referred above. In this respect, Adams (2004) has stated: "…to discharge accountability, however, disclosures need to demonstrate corporate acceptance of a company’s social and environmental responsibility ". According to Adams (2004); this acceptance can be demonstrated through a clear statement of values with corresponding objectives and quantified targets with expected achievement dates against which the company must report their progress.

The discussion above allows conclusion be drawn that in Islamic societies Shariah as starting point should interlinked to social responsibility goals of business organization and the main objective of disclosing social information is discharging accountability of these organizations towards stakeholder groups, and that entails disclose information show( see figure 1): The commitment of business organization with Islamic Shariah, in particular adopt certain social responsibility goals based on Sharia which should ensure welfare of stakeholder groups. The extent to what the actions of the business have affected the welfare of different stakeholders groups and well being of all society, in other words to what extent the commitment to Shariah has been translated to actions and outcomes.
The table 1 illustrates how the objectives of Islamic social disclosure have been translated to practical objectives. These practical objectives were linked to certain social responsibilities areas (finance and investment, employees, consumers, environment, society).
Table 1

Objectives of Islamic vision of social disclosure

<table>
<thead>
<tr>
<th>Objectives: the main objective of social disclosure in Islamic business organization is to discharge their accountability towards stakeholder groups, and that should be through disclosed information in their reports show:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The commitment of business organization with Islamic Shariah, in particular adopt certain social responsibility goals based on Maqasid Al Shariah which should ensure welfare of stakeholder groups.</td>
<td></td>
</tr>
<tr>
<td>2. The extent to what the actions of the business have affected the welfare of different stakeholders groups and well being of all society.</td>
<td></td>
</tr>
<tr>
<td>- Provide information regarding the commitment of business organization to invest and finance in lawful activities</td>
<td>To show the commitment of business organization to Shariah</td>
</tr>
<tr>
<td>- Provide information regarding the commitment of business to its employees.</td>
<td></td>
</tr>
<tr>
<td>- Provide information regarding the commitment of business to its consumers.</td>
<td></td>
</tr>
<tr>
<td>- Provide information regarding the commitment of business to its environment.</td>
<td></td>
</tr>
<tr>
<td>- Provide information regarding the commitment of business to its society.</td>
<td></td>
</tr>
<tr>
<td>- Provide information regarding the extent to what the finance and investment actions of business have been lawful</td>
<td>To show the extent to what the actions of business have effected the welfare of stakeholder groups</td>
</tr>
<tr>
<td>- Provide information regarding the extent to what actions of business have effected welfare of employees</td>
<td></td>
</tr>
<tr>
<td>- Provide information regarding the extent to what actions of business have effected welfare of consumers</td>
<td></td>
</tr>
<tr>
<td>- Provide information regarding the extent to what actions of business have effected welfare of environment</td>
<td></td>
</tr>
<tr>
<td>- Provide information regarding the extent to what actions of business have effected welfare of society</td>
<td></td>
</tr>
</tbody>
</table>
As the framework structure consists in addition to the objectives another two dimensions: scope (content) and format (information types). The first dimension scope (content) consists of two levels: (i) areas (have been linked to the objectives of Islamic social disclosure in the table (1), and (ii) items. Due to gap in the literature on disclosures by business organizations both Western and the Islamic perspective (Haniffa and Hudaib, 2004), in this study the areas and items have been determined depending on previous research in the context of social responsibility disclosure (see Guthrie, Parker, 1989, 1990; Gray, Kouhy and Lavers, 1995; Global Reporting Initiative (GRI), 2006) and the Islamic perspective disclosure frameworks of Haniffa and Hudaib (2004), Haniffa (2002), Maali et al., 2006, and Kamla (2009). In addition to information deemed important as they are to serve the Maqasid Al Shariah that discussed in the previous sections of the study was taken into account.

Table (2) summarizes the information items that need to be addressed under each area or theme.

<table>
<thead>
<tr>
<th>Items</th>
<th>Their base in Maqsid Al Sariah</th>
<th>Areas/ themes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Finance and investment</td>
</tr>
<tr>
<td>-Riba activities</td>
<td>Protection of faith/ Protection of wealth</td>
<td>Employees</td>
</tr>
<tr>
<td>- Gharar activities</td>
<td>Protection of faith/ Protection of human self/ Protection of intellectual</td>
<td></td>
</tr>
<tr>
<td>- Others</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-The policy of wages</td>
<td>Protection of faith/ Protection of future generation / Protection of resources</td>
<td>Product/ consumers</td>
</tr>
<tr>
<td>- Occupational health and safety</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Training and education (including Shariah awareness )</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Equal opportunity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- labor/management relationship</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Employees satisfaction</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Others</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Consumer health and safety</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Marketing communication</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Introducing new product</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Consumer satisfaction</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Others</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Activities undertaken to protect/or reduce harming the environment: material, energy, water, emission, waste, transport, ...others

<table>
<thead>
<tr>
<th>Environment</th>
<th>Activities undertaken to protect/or reduce harming the environment: material, energy, water, emission, waste, transport, ...others</th>
</tr>
</thead>
</table>
| Protection of faith/ Protection of future generation / Protection of resources | -Charitable activities  
- Contribution to socially motivated investments and projects  
- Addressing social problems  
- Zakah  
- Quard Hasan  
- Conferences of Islamic economic  
- Others |
| Protection of faith/ Protection of human self/ Protection of future generation / Protection of resources | Society |

Having identifying the objectives of Islamic social disclosure and scope (content) of information that should be included, the next issue that needs to be addressed is the dimension of format (information types) of the disclosure. This dimension distinguishes between three information types, based on the work of Robertson, Nicholson (1996), and Bouten, Everaert, Liedekerke, and Moord (2011) these are:

1. **Vision and goals (commitment):** this category covers disclosures that provide information on stated aims or values. This category thus includes corporate recognition and commitment to the goals and values of corporate social responsibility basing on Shariah.

2. **Management approach (actions):** this category includes how the organization addresses a given corporate social responsibility goals by describing the action or practice adopted.

3. **Performance indicators (outcomes):** this category reflects actual social responsibility outcomes and achievements to welfare of stakeholder groups by providing quantitative measures of social responsibility performance.

These information types as have been discussed are perceived as important and required for each disclosed social responsibility item to discharge accountability of business organizations towards stakeholder groups in Islamic society (see figure 2). From the previous discussion it can be concluded that all the three dimensions of the proposed framework (subsidiary objectives, content and information types) are
integrated with each other to serve the main objective of social accounting disclosure from Islamic perspective which is discharging accountability of business organizations.

Figure (2): framework of social accounting disclosure
This study argued that seeking to incorporate social disclosure based on maqasid al-shariah is needed since existing western understanding of social disclosure which used by organizations to justify their companies' continued existence, enhancing the corporate image or the reputation status of the corporate, and anticipate or avoid social pressure, contradict with Islamic shariah that requires social disclosure to be a reflection of their commitment to certain social responsibility goals that ensure welfare of stakeholder groups.

This study discusses the approaches or methodologies that can be used in developing Islamic accounting from Islamic perspective, namely: Contemporary accounting based approach and Deduction from Islamic Shariah approach, and the approach that has been chosen to propose a framework to Islamic vision of social disclosure.

The study has undertaken deductive from Islamic Shariah approach in determining objectives of social disclosure from Islamic perspective as this approach based on the spirit of Islam and its teaching to establish accounting objectives and then considers these established objectives in relation to western contemporary accounting thought.

According to this approach discharging accountability is represent the main objective to Islamic vision of social disclosure which provide a justification to why business organization in Islamic society should disclose information related to their social responsibility. This main objective can be realized by two subsidiary objectives namely: show the commitment of business organization with Islamic Shariah, in particular adopt certain social responsibility goals based on Shariah which should ensure welfare of stakeholder groups, and show the extent to what the actions of the business have affected the welfare of different stakeholders groups and well being of all society, in other words to what extent the commitment to Shariah has been translated to actions and outcomes.

Supporting this objective the study has developed a framework of social disclosure basing in the existing literature in this subject, the framework structure consists two dimensions: scope (content) and format (information types). The first dimension scope (content) consists of two levels: areas and items. The second dimension information types consist: Vision and goals (will show commitment), Management approach (will show action), Performance indicators (will show outcome). All these dimensions of the proposed framework (subsidiary objectives, content and
information types) are integrated with each other to serve the main objective of social accounting disclosure from Islamic perspective which is discharging accountability of business organizations.

Acknowledgement

The authors would like to acknowledge the grants received from Accounting Research Institute (ARI), UITM, Shah Alam for this research.

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