

The Islamic Accounting Conception for Islamic Management Entities through Scrutinising the Islamic Epistemological Stances

Norazita Marina Abdul Aziz^{1*}, Fadzila Azni Ahmad²

¹School of Languages, Civilisation and Philosophy, Universiti Utara Malaysia, 06010 Sintok, Kedah

²Centre for Islamic Development Management Studies (ISDEV), Universiti Sains Malaysia, Malaysia.

*Corresponding Autho Email: azitamarina@gmail.com

Abstract

The conceptualisation of Islamic accounting considers various dimensions including social benefit, social justice, sincerity, loyalty and trustworthiness. The recognition of social well-being reflects the eternal relations of mankind to Allah SWT and the interconnection to other human beings. The social obligations and engagements derives from the 'closeness' within the social-relations. Consequently, the paper examines the conceptualisation of the Islamic accounting framework from the Islamic philosophy perspectives and investigate the applicability of Islamic accounting concepts in recording Islamic transactions for Islamic management entities. The study employs interpretive epistemological position from Grounded Theory research design. The fieldwork involves interviews of five informants. Additionally, the documentary review were evaluated through the interpretation of the absolute scripts from al-Quran, Hadiths and other related Islamic manuscripts. The interviews are conducted to gain in-depth insights and investigate the emergence details in contemplating the research objectives. The data is analysed through exhaustive content analysis to obtain a new emergence concepts and thick data descriptions. The findings reveals the Islamic accounting concepts encompasses 'tauhidic' position, the intensification of the social and economic welfare and internal values of individual. The actions for accomplishing sufficient security of wealth has to be engrossed in the fair sharing of Islamic wealth (waqf and zakat), considered lawful activities and undertaken meticulous operationalization strategies. In summary, the paper suggests comprehensive monitoring and distribution of wealth through Islamic assets management systems.

Keywords: *Islamic Accounting Concepts; Islamic Wealth Management; Applied Philosophy; Islamic Wealth Framework, Islamic Epistemology.*

1. Introduction

The conceptualisation of Islamic accounting is essential for recording and deliberating Islamic transactions for Islamic business entities [1,2]. The complexity of Islamic transactions in the global markets, is comprehended to be an important factor in constructing the Islamic accounting concepts based on the Islamic Shariah Law. However, the construction of Islamic accounting concepts has to be derived from the Islamic philosophical stances, which has to be interpreted within the fundamental philosophical direction comprises of tasawur, epistemology, ontology, and axiology from Islamic position [3,4,5,6,7,8].

Interestingly, the fundamental Islamic teachings revolves from the Islamic trades and borrowings, which is essential in Islamic business transactions. The eternal understanding of accounts reflect the social justice of mankind in the life and the existence in the hereafter. These fundamental principles of 'accounts' is interpreted in the al-Quran and also Hadiths that is narrated from the Prophet Muhammad Sayings. The understanding of the debt in the al-Quran is translated, which gives the meaning of:

"O you who have believed, when you contract a debt for a specified term, write it down. And let a scribe write [it] between you in justice. Let no scribe refuse to write as Allah has taught

him. So let him write and let the one who has the obligation dictate."

(al-Baqarah, 2:282)

The paper develops the Islamic context through the lens of Islamic philosophical stances, which is deliberated from the Islamic tasawur, ontology, epistemology and axiology. The study employs a grounded theory research design from interpretive position. The interview of five (5) informants and thick documentary review following the position of Gioia [9] has been conducted for this grounded theory position. Later, the finding section will discuss on the fundamental base of Islamic accounting conception for Islamic management entities in attaining sustainable growth and financial stability for the public sphere as a whole.

2. Islamic Accounting and Entities

Currently, the trend of the accounting standard setters in the Muslim country tend to adopt and modify the International Accounting Standards (IAS) by withdrawing the unlawful elements in the business transactions to make them suitable for the Islamic transactions (Asian-Oceanian Standard-Setters Group, 2011, 2013, 2015; Asian-Oceanian Standard-Setters Group (AOSSG), 2011, 2013, 2015). Alternatively, some scholars questions on the adoption and modification strategies that have been undertaken, for example, a discussion on a few debatable

position such as fair value [11,12], policy choices [13], Islamic accounting conceptual framework [14], social responsibility disclosure [15,16,17,18,19], philosophical stances for Islamic accounting concepts [20,21].

From the review of the literature reveals the conventional accounting highlights the utilitarianism position that emphasis on the production of goods to the people in the society, which influencing social interest [22,23]. The abundance of production will lead to greediness [24] whilst the scarcity precede to uneven wealth distribution to the society due to the failure in the capitalist systems [25,26]. Thus, the Islamic accounting concepts is differ from the conventional as it promotes the distribution of wealth, equal profit sharing and emphasis of the social welfare of the Islamic community [27,28,29,30,31,32,33,34,35,35]. Thus, the paper demarcates a comprehensive and extensive view pertaining to the Islamic accounting concepts that investigates the Islamic values and principles. The derivation of the Islamic accounting concepts exhibits the inner layer within the Islamic philosophical stances and its application for securing and promoting wealth stability for Islamic community especially for the zakat and *waqf* institutions.

Islamic management entities concerns with the complex Islamic transactions, which is essential for recording and reporting of accounting records. The recording systems has to be adhered to the Malaysian Financial Reporting Standards (MFRS) that is set by Malaysian Accounting Standard Board (MASB). Thus, the paper defines the Islamic management entities as an Islamic organisation, which is dealing with Islamic transactions in undertaking Islamic social welfare and benefits to the people especially within the Islamic community. The paper focuses on the *waqf* and zakat institutions, which are deemed important in recording, assessing and analysing Islamic accounting reports that include the lawful and exclude the unlawful elements in the Islamic accounting concepts.

In zakat and *waqf* are seen as an important platform for the distribution of wealth and securing poverty for the Islamic society. The zakat is considered as an obligated purification of wealth, which is stipulated in the Islamic Shariah Regulations. Additionally, the *waqf* is based on willingness-donations of wealth in terms of cash and assets for the benefit of the Islamic society. Thus, zakat and *waqf* are an important Islamic wealth management in securing poverty and strengthening Islamic socio-economic society. The zakat and *waqf* reflects the securitisation of the financial economic wealth for sustaining the social and economic effect for the Islamic society. The surplus for these wealth management strategies is considered as an intangible-goodwill-instruments for equal and fair profit sharing for the unfortunate society. In consequence, the extension of zakat and *waqf* management institutions is indispensable for sustaining the Islamic economic growth and reducing poverty in the Islamic society.

3. Research Methodology

The study employs an inductively interpretive position by implementing grounded theory research design. The fieldwork involves a series of five interviews and an intensive documentary review. The informants are the specialist in the Islamic accounting area and the interviews were commenced to attain the in-depth understanding for the Islamic philosophical and Islamic accounting concepts. Additionally, the documentary review was conducted by considering a detailed analysis and meticulous interpretation from the absolute scripts of truth mainly from the al-Quran, Hadiths and other specific manuscripts [36]. The multiple research methods were organised to examine the Islamic accounting concepts and scrutinise the emergence concepts from the data collected.

The field data was analysed through grounded analysis to attain a thick description of the data and investigate new emerging concepts that may transpire from the data collection [37,38,39,40]. The data was exclusively organised according to the transcripts and later the coding actions were conducted by the researcher. The grounded analysis involves analysing the axial coding and scrutinising the selected categories in developing core themes for the documents, which later proceed to examining the common patterns and relations [41,42,43].

The themes, patterns and relations represents a richness descriptions from the analysis and signifies the emergence concepts from the data collection [44,45,46,47]. Thus, the interactive engagement of the data will finally address the aim of the research [47].

4. Findings

In Islamic accounting, the distribution of zakat surplus and the profit sharing benefits from *waqf* are important for sustaining Islamic growth and developing socio-economic benefits for the Islamic society [48]. Indirectly, the Islamic wealth management strategies has created a broader platform for the Islamic community to transform their economic life and strengthen the socio-economic benefit for the unfortunate people [49].

The subsequent analysis can be triangulated from the second phase of the data collection to evaluate the accuracy in deliberating the features and elements in the constructing Islamic accounting concepts. In the previous analysis, the themes represent the classifications of the sub-categories and categories in deriving to the themes. The identified themes is then being triangulated with the five informants to obtain an in-depth and thick description about the deliberation of Islamic accounting concepts. From the interview all the informants are objective that the Islamic accounting concepts has to be addressed within the Islamic philosophical stances in providing consistency and coherency for the Islamic management entities' actions. The deliberation of the five informants are reflected in the Table 1.

Table 1: The Comparative Content Analysis from the Interviews for Grounded Theory

I*	Descriptions of excerpts from the interviews	Themes	Pattern
1	"The Islamic management entities has to follow the Islamic teachings in deriving to the Islamic accounting concepts. The philosophical stances has to be developed within the Islamic virtue and divinity. Mapping up the adoption and modification strategies from the conventional accounting is unacceptable. This is because the tauhidic positions and the Islamic values from the al-Quran and Hadith are not being address accordingly."	<ul style="list-style-type: none"> • Values • Islamic philosophical and epistemological stances • Islamic rules • Divinity 	<ul style="list-style-type: none"> • Values of mankind • Tauhidic position
2	"The values of Islam is very unique in nature. Accounting has to be driven from Islamic pillars. The Islamic accounting concepts has to be expressed in terms of monetary values, time of transaction, profit sharing, rights, ethical values, and transaction amount. This is very important as to enhance the recording systems to ensure transparency and accuracy of the accounting data. You may not want to see the figures but wrongly interpreted in the accounts."	<ul style="list-style-type: none"> • Islamic philosophical stances • Monetary values • Timeliness • Profit sharing • Ethical values • Transparency • Accuracy • Amount stated 	<ul style="list-style-type: none"> • Ethical values • Accounting concepts • Transparency • Rights

I*	Descriptions of excerpts from the interviews	Themes	Pattern
3	“The element of hard work (ikhtiyar) in Islam is very important. In fact, in Islam, the promotion of prayers that lead to success is overwhelming. If a person wanted to be a success person, they have to pray and make prayers. This element is very important on top of the element of account. One more thing is the relationship between man, other man and the Creator. This unbreakable relationship is the source of the binding responsibility in Islam. This makes the Islamic accounting concepts a uniqueness in nature. Allah will grant a huge sustenance to His servant. The concept of profit sharing to the society will increase the wealth of a person. So, keep on sharing. The more you give, the more you get back is relevant in zakat and waqf. If both institutions are properly managed the Islamic community will face a huge success in the dunya and akhirah.”	<ul style="list-style-type: none"> • Additional elements of hard work, sustenance and success. • Relationship • Accounts of actions 	<ul style="list-style-type: none"> • Tauhidic position • Strengthen the social and economic welfare • Sharing • Success
4	“Islam is a way of life. The Islamic teaching is relevant to all position regardless in the philosophical terms or the acts. The Islamic accounting concepts has t be address within the Islamic pillars. The collection and distribution of zakat and waqf has to manage accordingly. The Islamic accounting concepts has to ensure a clear description between lawful and unlawful activities. This is the main element stated in the al-Quran and Hadith.”	<ul style="list-style-type: none"> • Islamic philosophical stances • Lawful and unlawful activities • Sharing • Islamic pillars 	<ul style="list-style-type: none"> • Tauhidic position • Strengthen the social and economic welfare • Sharing
5	“The Islamic accounting concepts has to stand within the Islamic teachings. The zakat is essential in the income-purity and it will strengthen the Islamic community economy and managed them wisely. The concepts has to ensure the clarity in the amount of transactions, the date, the full disclosures, the materiality concerns for profit sharing, and transparency. The success of a man is not how much the wealth the man has, but how he managed to distribute his wealth to other people in the society. Purify the wealth, Allah will give you more.”	<ul style="list-style-type: none"> • Amount • Date • Full disclosures • Materiality • Profit sharing • Transparency 	<ul style="list-style-type: none"> • Purify the wealth • Strengthen the economy • Well-managed resources

I*: Informants

The empirical data from the phase 1 and 2 can be deliberated in the Figure 1 below. The zakat and waqf institutions of transacting the Islamic transactions have a different values. Thus, the

construction of the Islamic accounting concepts reinforces the fundamental Islamic philosophy position, which can be articulated implicitly as the correspondence of Islamic virtue and divinity principles, which relates to the Tauhidic position in nature.

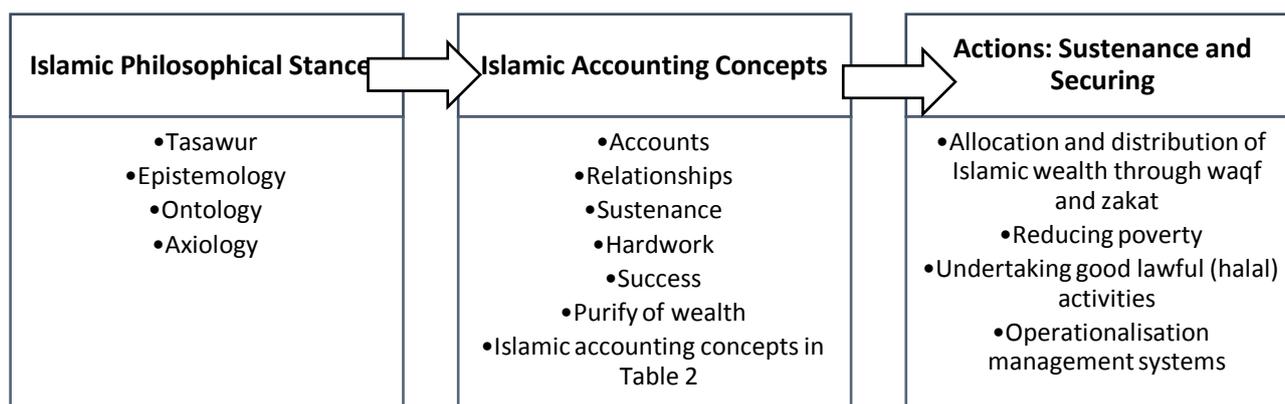


Figure 1: The Inter-connected Relationship of Islamic Philosophical Stances, Concepts and Actions

5. Conclusion

From the Islamic epistemological stances, the Islamic accounting concepts emphasises the relationship to Allah and other creatures in this world. It is regarded as an ‘accountable’ actions for the related parties in giving their true accounts. From the discussion, the rights of a human being to Allah SWT and interconnection of man to other human beings reflects the internal and external engagement of both parties. The respectful acts, courteous actions and good values represents the individual morality and humility functions in the Islamic society. The Islamic accounting concepts includes an individual inner sense of ‘accounts’ that is founded from the ‘tauhidic’ position and good moral values. Thus, the Islamic concepts for Islamic management entities consolidates the integral part of the soul and human actions to ensure justice, equality and fairness in distributing the Islamic wealth for securing poverty and sustaining economic growth. The paper suggests the integration of moral values in Islamic accounting concepts that indirectly encourage a good socio-economic wealth and actions in the Islamic society.

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