



Accountability in Islamic Social Enterprises (ISEs) from Stakeholders' Perspective

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Abstract:

Accountability and non-profit sector is not a strange issue. As it has wider stakeholders as compared to other sectors, abuse, misappropriate and fraud cases frequently remark the 'dark side' of non-profit sector. Plus, with the introduction of Social Enterprise (SE) concept that combine for both social and economic objectives in an entity, accountability issue become more tension as the complexity of the organization itself. Therefore, this study aims to examine accountability from stakeholders' perspective, focusing on Islamic Social Enterprises (ISEs) in Malaysia. A questionnaire survey was utilized in this study and 50 ISEs' stakeholders from various stakeholders groups are contributed in this study. Based on findings, it can be said that all three accountability dimensions, which are accountability for input, accountability for output and accountability for procedural have significantly contribute toward accountability in ISEs in Malaysia. Ironically, most ISEs' stakeholders are still believed that current accountability practices in ISEs in Malaysia is still in moderate level.

Keywords: Accountability, Islamic Social Enterprise (ISE), Stakeholder Perspective

1. Introduction

The issue of accountability in non-profit organization including Islamic Social Enterprises (ISEs) has been debated for a long time ago. Despite its significant roles in giving financial sustainability for the organisation, offering employment to socially disadvantages and also to provide high quality services that were environmentally sustainable (Aiken, 2006), basic accountability issue which is poor financial management practices in ISEs normally affecting in securing finance and expanding economic activities (Hynes, 2009).

Besides, as part of Islamic organisations, ISEs are not escape from being oughted into accountability cases especially that has been recently happened in Malaysia. This includes 39 reports on manipulation and misappropriation of public funds during flood crises in 2014 received by the Malaysia Anti-Corruption Commission (MACC) (Astro Awani, 2015); allegation and negative perception regarding spending method becoming one of the factors for the cancellation contributions of 32,934 regular donors to Yayasan Pembangunan Ekonomi Islam Malaysia (YAPIEM) from February 2015 until February 2016 (Teng, 2016); several Islamic non-profit organisations in Malaysia are accused of being involved in terrorism financing (Kamaruddin, 2016; Othman & Ameer, 2014); and the latest, an arrestment of Islamic non-profit organisation's top management for embezzlement issue (Hassan, 2017). As ISE are involved with a large group of stakeholders as compared to other non-profit organizations, any decision and action done by ISEs is affecting or affected by these stakeholders' groups (Hyndman & McMohan, 2011).

Therefore, there is a need to examine accountability in ISEs, which focus on all three accountability dimensions which are: (i) accountability for input; (ii) accountability for output; and (iii) accountability for procedural (Candler & Dumont, 2010). Our

current study aims to identify accountability in ISEs in Malaysia from stakeholders' perspective. Due to the differences in stakeholders' function and role for different stakeholders, this study involves with all ISEs' stakeholder groups in Malaysia in order to obtain comprehensive findings.

2. Literature review

2.1. Islamic Social Enterprise (ISE)

Currently, there is no specific definition for ISE. In addition, there are also a limited study on ISE or Islamic entrepreneurship itself (Al-alak et al., 2010; Hoque & Parker, 2014; Muhamed et al., 2016). Besides, previous studies on ISE or Islamic entrepreneurship do not have an agreement even in term of the definition of ISE. This has been proved by Bielefeld (2009), where he stated that the term social entrepreneurship is problematic, but concluded that it focuses on individual as change agents, and not on groups or organizations.

On the other hand, Muliyaningsih (2013) discussed the role of social entrepreneur in Islamic welfare system. She emphasized how an individual could play act as an intermediary of zakat institutions. Meanwhile, Al-alak et al. (2010) proposed salient traits of Islamic entrepreneur, which among others are fear of Allah and halal earnings. Only Muhamed et al. (2016) had touched a little bit in defining ISE where they discussed several important Islamic principles and values such as involvement with Islamic charity funds and the objectives of ISE must in line with the objectives of Islamic charity funds' contributors which is for religious purposes.

Therefore, it can be concluded that the definition of ISE is similar to Social Enterprise (SE). On top of that, ISE consists of Islamic

principles and values in its management and practices. The Islamic principles and values in ISE can be such as owned or managed by Muslims, has objectives towards Islamic religion, operated and managed according to shariah (Islamic law) principles and involvement with Islamic charity funds.

2.2. Accountability for Stakeholders

Accountability can be defined as an action done by individual or organisation to report to recognised (authority) and responsible on their actions (Edwards & Hulme, 1996). Specifically, accountability is defined as: (i) the extent to which one must answer to higher authority – legal or organisational – for one's action in society at large or within one's organisation; and (ii) an obligation for keeping accurate records of property, documents or funds (Shafritz, 1992). In similar definition, Osman (2012) stated that accountability is two set of responsibilities which are the responsibility to make an action and the responsibility to give account for the action. In line with this idea of accountability is Lloyd et al. (2007) when accountability is refers to the process made by individual or organisation to responds and balance the needs of stakeholders in its decision making processes and activities.

Accountability exists in every organisation types as long as there is a relationship between organisation and organisation's stakeholders. As part of non-profit organization, ISE is different as compared to other public and private organizations especially in term of organisational forms and legitimacy. Besides, ISE is responsible to wider stakeholders compared to private organisations as it derived social objectives. Thus, ISE has different accountability elements and characteristics as well compared to other types of organisation.

Therefore, a specific accountability for ISE must be recognised and identified including its own framework. This is because ISE have a broad range of constituencies (Cutt & Murray, 2002). Besides, another similar consideration which is to proposed charity accountability framework also arise as non-profit sector has specific characteristic compared with the business entity (Cordery & Baskerville, 2007).

Moreover, there also several other factors that also contributes to the greater of ISE accountability. These factors can simply divide into two main factors which are push and pull factors. Some of the push factors are such as declining and low level of public trust toward public sector and effectiveness and efficiency of non-profit to deliver social activities compared to public organisations. In other hand, some of the pull factors are such as rapid growth of non-profit sector, increased amount of funds, stronger voice, increase in power and crisis of legitimacy (Kaldor, 2003; Lee, 2004; Leen, 2006).

In general, ISE accountability can be define as the process which ISE holds itself openly responsible for what it believe, what it does not do in a way which it showing involving all concerned parties and actively responding to what it learns (Slim, 2002). Basically, ISE accountability covers various scopes such as organisational management, financial management and information disclosure. These scopes also related with the basic principles in accountability which are answerability, responsiveness, responsibility, liability, dependability, conscientiousness, reliability, trustworthiness, legitimacy and transparency (Srinivas, 2014). In addition, Normally, ISE accountability will increase the trust and commitment of ISE's stakeholders (Leen, 2006). This is driven by the effectiveness and to demonstrate on organisational represents. Besides, ISE accountability also believed will increase organisational performance and learning (Brown et al., 2003). Moreover, by having such ISE accountability, it will answer criticisms on non-profit organization including ISE such as secretive, undemocratic in decision-making and also lack of standard and governance (Adair, 1999).

In addition, several weak financial management issues in SE that affect stakeholders' accountability are also believed faced by ISE. First, there is lack in appropriate communication between management and stakeholders in SE – which is financial disclosure issue (Arshad et al., 2012). Besides, proper internal control practices are demanded in SE as it will lead to assurance and confident for its stakeholders (Sulaiman et al., 2008). Moreover, SE are found hesitated to adopt financial planning and budgeting due to lack of financial management knowledge – become another stakeholders' accountability issue (Palmer & Randall, 2005). Last but not least, imbalance on financial performance measurement for SE that involved in both social and economic activities lead to inaccurate communication toward stakeholders (Thompson, 2008).

However, discussion on ISE accountability is worried as it will exposing ISE's weaknesses and it will effect on both donation and income generation received by ISE (Jepson 2005). Despite on this fact, for the sake of future sustainability of ISE, enhancement especially for ISE accountability is needed. Besides, improvement on ISE accountability will reduces abuse and misappropriation issues especially on financial aspects.

Based on the above, arguably ISE accountability especially from stakeholders' perspectives are needed. Thus, examining on accountability in ISE from stakeholders' perspectives will slightly awake ISE from their dreams and work hard to ensure their existence among the public at large.

3. Methodology

This study utilized survey with questionnaire as a tool of data collection. An open survey via Google Form has been selected as a medium of data collection and all respondents who involved with ISEs regardless on the type of involvement are encouraged to answer the question. The data was collected on May 2017. By using acceptable 85% of confident level and 10% of margin of error (Sekaran & Bougie, 2016), 52 respondents are suggested from total Malaysian Muslim population in Malaysia which is 19.42 million (DOS of Malaysia, 2016). A total of 50 respondents (96.15% respondents' rate) are received.

The questionnaire are divided into two main sections. The first section is on the demographic profile of respondents and the second section is on accountability in ISEs in Malaysia. From the demographic profile, respondents are scattered across Malaysia including Sabah (outside from Peninsular Malaysia). Besides, the gap between male and female respondents is not too much (8%), which means both male and female are actively to involve with ISEs. Moreover, almost all respondents for this study are in an adult age category (21 – 40 years old) which is 94%, which could possibly indicate that most people who become as ISE stakeholders are in an adult age.

On the other hand, respondents marital status are mixed between single (58%) and married (42%). However, most of respondents have an education qualification at least in the degree level (96%) which means that this survey should have good data responses due to the education background of ISE stakeholders. Meanwhile, this study also responded by ISE stakeholders with mixed profession such as government employees (16%), private employees (24%), self-employed (10%), housewife (6%) and post-graduate students (44%). The big amounts of student who respond for this study are involved with ISE activities especially as volunteers. For income, most of respondents are in B40 income group (86%), which monthly income RM 3,900 and below. This shows that most ISE stakeholders who involve with ISEs could be benefited from the existence of ISE or supporting the ISE regardless their income status.

Further, the last two questions is on the knowledge on ISE concept and their involvement in ISE. Table 1 summarised these information as follows:

Table 1: Understanding on ISE Concept and Involvement with ISE

	N = 50	%
Understanding on ISE Concept		
ISE as part of non-profit organisation	33	66
ISE perform social activities	34	68
ISE perform economic activities	22	44
ISE raise fund from the public	26	52
ISE make income generation	14	28
Involvement with ISE		
Regulator/ Government	5	10
Donor/ Contributor	26	52
Activist/Volunteer/ Member	24	48
Staff/Advisor	3	6
Partner/Ally	2	4
Beneficiary/ Client	8	16
Media/ Public Follower	22	44

Based on Table 1, many respondents believed that ISE are primarily for social objectives (68%), followed by recognising ISE as part of non-profit sector (66%) and raise fund from public (52%). However, there is still a little understanding on ISE concept in carrying economic objectives (44%) and make income generation (28%). This possibly due to the perception where ISEs are still viewed as a traditional non-profit organization. This happens as most ISE in Asian countries including Malaysia are ‘transform’ from previous traditional non-profit organisation which have limited knowledge and experience especially in financial management aspect (Shahnaz & Tan, 2009).

Besides, respondents involvement with ISE are vary for this study where the most respondents are involve as upward accountability group (regulator/government/ donor/contributor), which is consist of 62%. This followed by involvement as inward accountability group (activist/volunteer/ member/staff/advisor) amounting 54%, horizontal accountability group (media/public follower) for 44% and finally downward accountability group (beneficiary/ client/partner/ally), which is 20%. These figure shows that mostly upward accountability group are concern especially on accountability aspect of ISE.

4. Results and discussion

4.1. Analysis on Accountability for Input

Table 2: Accountability for Input

Items	Mean	%
Fund collection	3.76	75.2
Income generation	3.54	70.8
Volunteer resources	3.74	74.8
Reputational capital	3.66	73.2
<i>Overall Mean</i>	3.675	73.5

Under accountability for input, there are four indicators used as suggested by Candler and Dumont (2010) which are financial resources, volunteer resources and reputational capital. Based on Table 2, accountability for input dimension in ISEs in Malaysia score 73.5%. Among all four items under accountability for input dimension, the most significant contribution is in collecting fund (75.2%). This followed closely by utilising volunteer resources (74.8%), reputational capital (73.2%) and finally on income generation (70.8%).

4.2. Analysis on Accountability for Output

Table 3: Accountability for Output

Items	Mean	%
Trust on goods and services for social activities	3.78	75.52
Trust on goods and services for economic activities	3.70	74.28
Impact of goods and services for social	3.62	71.84

activities toward stakeholders		
Impact of goods and services for economic activities toward stakeholders	3.64	73.48
Achieve social objectives from goods and services delivered	3.72	74.28
Achieve economic objectives from goods and services delivered	3.52	70.62
<i>Overall Mean</i>	3.66	73.34

Under accountability for output, there are three indicators used as suggested by Candler and Dumont (2010) which are goods and services, social capital and policy impact. Based on Table 3, accountability for output dimension in ISEs score 73.34%. Among all six items under accountability for output dimension, the most significant contribution is on social goods and services provided (75.52%). This followed closely by both believing in achieving social objectives and economic goods and services provided (74.28%), then followed by economic goods and services impact on ISE stakeholders (73.48%), social goods and services impact on ISE stakeholders (71.84%) and finally on achieving economic objectives (70.62%).

4.3. Analysis on Accountability for Procedural

Table 4: Accountability for Procedural

Items	Mean	%
Laws and regulations	4.16	83.26
Mission and vision	4.26	85.30
Ethical	4.40	87.76
Legitimacy	3.86	77.14
<i>Overall Mean</i>	4.17	83.37

Under accountability for procedural, there are four indicators used as suggested by Candler and Dumont (2010) which are laws and regulations, mission and vision, ethical and legitimacy. Based on Table 4, accountability for procedural dimension in ISEs in Malaysia score 83.37%. Among all four items under accountability for procedural dimension, the most significant contribution is by ensuring ethical manner (87.76%). This followed closely by conducting according to mission and vision (85.3%), comply with law and regulation (83.26%) and finally on fulfilling stakeholders’ interest accordingly (77.14%).

4.4. Analysis on Overall Accountability Level

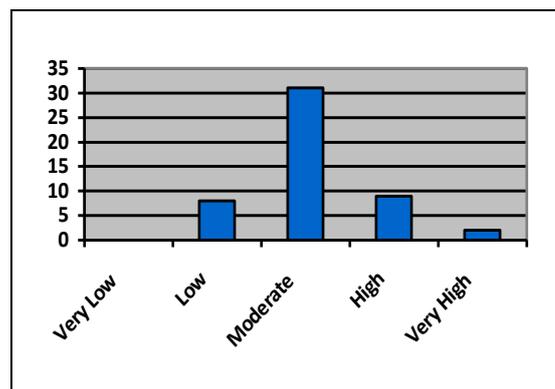


Figure 1: Overall Accountability Level

Respondents also are being asked to evaluate on current accountability level in ISEs in Malaysia under five level (vey low, low, moderate, high and very high). Based on Figure 1, the most respondents rate for accountability in ISEs in Malaysia is moderate level (62%). This followed by high level (18%) and low level (16%). There are also a little rate on very high level for current accountability level in ISEs in Malaysia which is 4%. There is no rate for very low level.

5. Conclusion

The current study provides evidence on accountability in ISEs in Malaysia from stakeholders' perspective based on three accountability dimensions which are input, output and procedural. Based on these findings, all three accountability dimensions are significantly contribute toward accountability in ISEs in Malaysia. Among these accountability dimensions, the most significant is accountability for procedural (83.37%), followed closely by another two accountability dimensions [input (73.5%) and output (73.34%)]. Therefore, it can be concluded that these three accountability dimensions can be used as a measurement for accountability practices in ISEs in Malaysia.

However, in overall accountability practices in ISEs in Malaysia, most of the stakeholders evaluate accountability in ISEs in Malaysia in moderate level (62%). This findings are similar with previous finding by Sarman et al. (2015) where accountability practice for SEs in Malaysia are still weak. Therefore, both ISEs and SEs in Malaysia still need to enhance their accountability practices in order to obtain stakeholders' trust for sustainability concern.

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