

Accounting and Accountability in Religious Organizations: An Islamic Contemporary Scholars' Perspective

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Abstract: The purpose of this article is to discuss the views and opinions of contemporary Muslim scholars on organisational accountability in Islam. The paper is based on in-depth semi-structured interviews and a review of the relevant documents. Eighteen interviews with twelve Muslim scholars, two *ulamas* (mufti), two organisational donors, and two relevant government officers, both in Indonesia and in Malaysia were, respectively, conducted. The Muslim scholars interviewed perceived that accounting and accountability activities are not contradictory to Islamic teachings. The accountability relationship in Islam is viewed as not only fulfilling the legal requirements, but also fulfilling the relationship with God. The findings clearly indicate that a formal accountability mechanism is strongly encouraged in Islam, and financial reporting is viewed as essential in enhancing the accountability of Islamic religious organizations. Therefore, any organization dealing with community funds must demonstrate its financial accountability formally; i.e., through written reports. Thus, public or community trust in the organisation cannot replace the accountability mechanism.

Abstrak: Tujuan studi ini adalah untuk mendiskusikan berbagai pandangan dan pendapat para cendekiawan Muslim kontemporer tentang akuntabilitas organisasional dalam Islam. Wawancara mendalam semi terstruktur dan reвью terhadap berbagai dokumentasi yang relevan telah dilakukan untuk mendapatkan pandangan para cendekiawan terhadap isu ini. Studi ini telah mewawacarai 12 orang cendekiawan Muslim baik yang berdomisili di Indonesia maupun di Malaysia, dua orang dari lembaga donor, dua orang ulama dan dua orang pegawai pemerintahan terkait baik di Malaysia maupun di Indonesia. Penelitian ini mendapati bahwa responden yang diwawancarai tidak melihat kegiatan akuntansi dan akuntabilitas sebagai sesuatu yang bertentangan dengan ajaran Islam. Hubungan akuntabilitas dalam Islam tidak hanya ditujukan untuk memenuhi persyaratan legalitas, tetapi juga sebagai bagian pelaksanaan kewajiban kepada Allah SWT. Para cendekiawan Muslim sepakat bahwa mekanisme akuntabilitas formal harus diaplikasikan dalam setiap organisasi keagamaan Islam dan mereka memandang bahwa laporan keuangan adalah sesuatu yang sangat penting dalam meningkatkan akuntabilitas organisasi tersebut. Oleh karena itu, setiap organisasi yang mengelola dana publik harus menunjukkan akuntabilitas keuangan mereka secara formal, yaitu melalui laporan tertulis. Jadi, kepercayaan publik dan masyarakat tidak dapat menggantikan mekanisme akuntabilitas.

Keywords: accounting; accountability; Islam; islamic accounting; religious organization

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Introduction

Research concerning accounting and accountability in religious organizations has increased over the years (Carmona and Ezzamel 2006; Laughlin 1988, 1990; Walker 2002; Booth 1993; Rahim and Goddard 1998). However, compared to the research into the accounting and accountability of Christian organizations, especially the Western churches; similar studies on Islamic organizations have been relatively scarce.

An extensive study into Islamic religious organizations was undertaken by Rahim and Goddard (1998). By using a qualitative approach, Rahim and Goddard (1998) examined the accounting practices of two State Religious Councils (SRC) in Malaysia, namely, ASRC and BSRC.¹ The findings of their study indicated that the use of sophisticated accounting techniques was minimal in the two aforementioned Islamic religious organizations. The role of accountants in those organizations was meaningful only as an organizational practice, but did not enhance their accountability. Accounting was regarded as no more than a technology to record accounting and financial information and the role of the accountant had been reduced to the role of a bookkeeper. Nevertheless, there was no resistance to the use of modern management techniques such as accounting in both organizations. Accounting is considered as a part of religious activities, and accounting systems are seen as necessary for the effective functioning of organizations.

Previous studies on accounting have also indicated that there is a relationship between accounting and religions, including Is-

lam (Zaid 2000; Carmona and Ezzamel 2006). Pomeranz (2004, p. 10) claimed that “Muslim interest in accounting issues can be traced back to the time of the Prophet Muhammad and his immediate successors Caliphs Abu Bakar and Umar The Great. These two caliphs and al Waleed, a later caliph, created governmental audit functions.” Likewise, Hamid (2009) suggested that during the period of the Caliph Umar bin Khattab, accounting and accountability were practiced and they became a commitment among the Muslim leaders. According to Hamid (2009, p. 2) “When an official was appointed, an inventory of all his possessions would have to be taken. If any increase in his possessions or in his overall financial position was noticed, then an inquiry into the matter would have to be made and the added possessions were usually confiscated.” This indicates that accounting and accountability have been practiced and organized as a profession since the early days of Islam.

Unfortunately, the influence of Islam upon accounting has been ignored in the last few decades. Only recently, this issue has been intensively discussed by contemporary Islamic scholars, who had most of their scientific studies and papers published in the *Journal of Islamic Accounting and Business Research*, or similar publications. The increase of interest into the issue of Islamic finance and accounting is very much related to the promising development of Islamic financial institutions worldwide. Globally, Islamic banking assets were estimated at around 17 percent in 2013, while Islamic funds and *sukuk* led year-on-year growth with 14 percent and 11 percent respectively. In Asia,

¹ In Malaysia, a State Religious Council (SRC) is established in every state with the purpose of managing Islamic affairs, and particularly for managing Islamic taxes (*Zakat*). In their study, Rahim and Goddard (1998) investigated two SRCs. To ensure the confidentiality of the investigated SRCs, they named them ASRC and BSRC.

Malaysia and Indonesia have experienced rapid growth in their Islamic financial institutions. Malaysia has the fastest growth in Islamic financial institutions, with an annual growth rate of 18-20 percent over the period from 2009-2013, achieving a 40 percent market share of the Islamic banking industry. With this achievement in Islamic financing, Malaysia has been labelled as one of the Islamic financial hubs of the world (Majid and Kassim 2015). Similarly, the Islamic institutions in Indonesia, the most populous Muslim country in the world, have recorded considerable progress with 43.5 percent growth over the period from 2009–2013 (World Islamic Banking Competitiveness Report 2014-2015).

Compared to the fast growth of Islamic financial institutions in Muslim countries, particularly in Malaysia and Indonesia, research that examines the views of contemporary Muslim scholars regarding accounting and the way organisations should show their accountability to their respective stakeholders has been relatively limited. Thus, this study is timely in its exploration of the issue of accounting in Islamic organizations. The views of Muslim scholars on the role of financial reporting in enhancing the accountability of Islamic religious organizations, and how, and in what way, these religious organizations should be made accountable to their stakeholders, needs to be explored to ensure a fuller understanding can be gained of these organisations' accountability and the way that it should be practiced.

As such, the aim of this paper is to investigate how Muslim scholars view the role of accounting and accountability, and their importance in Islamic religious organizations, especially in the *Pesantren* (Islamic boarding schools), and how these organizations should demonstrate their accountability. It is ex-

pected that this study will make a significant contribution to the existing literature on the accounting and accountability of Islamic organisation. One major question guides this research: how do Muslim scholars, academicians and practitioners view the role of financial reporting in enhancing the accountability of Islamic religious organizations?

The rest of this paper is organized as follows: the next section presents a review of the literature regarding accounting and accountability in Islam. Section 3 presents the research method, followed by section 4 which provides a discussion of the findings regarding the role of accounting and financial reporting in enhancing accountability, to whom the Islamic organizations should be accountable, and how accountability in Islam is to be demonstrated. The role of trust (*amanah*) in increasing accountability, as well as the Islamic belief system in the role of accounting are also discussed in this paper. Section 5 provides the conclusions and implications.

Literature Review

Islam has formulated a comprehensive code of ethics governing how financial transactions should be treated in both profit and non-profit organizations. This is also reinforced by Dandago (2007, p. 2) as he says "Islam is not just about a set of religious rites and rituals; it is a complete and comprehensive package for fashioning human life and, at the same time uplifting the human spirit." The concept of accounting in Islam is derived from the Qur'an, which makes sample reference to the principles of accounting (Murtuza 2003). Muslims are required to record their transactions and such an emphasis on recording indicates the importance of fulfilling the rights and obligations as stated in the Holy Qur'an:

O you who believe! When you contract a debt for a fixed period, write it down. Let a scribe write it down in justice between you. Let not the scribes refuse to write as Allah has taught him, so let him write. Let him [the debtor] who incurs the liability dictate, and he must fear Allah, his Lord, and diminish not anything of what he owes (Al-Baqarah: 282).

(Al-Hilali and Khan 1984, p. 65.)

The above verse illustrates the importance of accounting, and applies to both businesses and for-profit organizations, as well as other organizations and individuals. One of the main objectives of accounting is to enhance accountability through providing a fair information flow between the accountant and the accountee (Lewis 2006; Sulaiman 2005). This means that accounting plays a very significant role in providing information, and consequently enables the fulfilment of religious duties such as the payment of *zakat* (a tithe) (Maali and Napier 2007). Thus, it is not surprising that historically, accountants and accounting have played a very significant role in Muslim societies and have held high positions in their governments (Zaid 2000). The terms *Al-ameel*, *Mubasher*, *Al-Kitab* or *Katep Al-Mal* were the common titles for the accountant/book keeper/accounts clerk, and they are used interchangeably in different parts of the Islamic world. Historical handwritten books preserved in Turkey and Egypt reveal that accounting has been practiced and organized as a profession since the early stages of the Islamic state in Madinah. As such, Muslims' interest in accounting issues can be traced back to the time of the Prophet Muhammad.

Subsequently, Alwaleed the Caliph created governmental audit functions (Pomeranz 2004). Moreover, it is claimed that bookkeeping was first practiced by Arabic merchants

(Lieber 1968 as quoted by Zaid 2005). The use of accountants was stated in Ahmad bin Ali Al-Kalkashandy's handwritten book which consists of ten volumes, whereby volume 10 was dated 821 H (1418 AD). This book provides evidence of the use of accounting and the employment of accountants in Muslim societies (Zaid 2000). Islam has developed its own concept of accountability or *Taklif*, the term used by Al-Safi (1992) which means that all Muslims are accountable for their actions or inactions on the Day of Judgment. Al Safi (1992, p. 81) notes that:

Every person is responsible for his own deeds and everyone has a 'book', a register of acts in which all deeds –small or great – are written down. God Almighty will bring all people to life after death and bring them from their graves so that each one of them will meet the result of his deeds, with reward or punishment.

The concept of accountability in Islam is derived from the Qur'an, which makes reference to the principle of accountability. According to Askary and Clarke (1997) in the Holy Qur'an, as explained by Lewis (2006, p.2), "Allah repeats the word *Hisab* or 'account' as the root of accountability, more than eight times in different verses." To account, in its generic sense, relates to one's obligation to 'account' to God in all matters pertaining to human endeavour, for which every Muslim is 'accountable'. The similarity between *hisab* in Islam and account lies in the responsibility of every Muslim to carry out their duties as described in the Holy Qur'an. Nahar and Yaacob (2011, p. 92) adds "The word 'account' in Islam conceptually relates to humans' obligations as Allah's representatives on earth (*Khalifah* - vicegerent) (Quran 2:30; 35:39) and they have to 'account' to Allah in the hereafter on all matters pertaining to their worldly endeavours."

There is no doubt that control mechanisms play a very important role in ensuring an appropriate level of accountability practices. However, these control mechanisms alone cannot ensure such improvements, as explained by Parvez (2004, p. 9):

From the Islamic perspective, controls and laws that are to be employed for guiding personal and business conduct should be enacted to protect minimum standards or as deterrents to wrongdoing. More than this, there is a need to cultivate a higher consciousness, morals, and a sense of accountability as a prerequisite since they develop an inner respect for societal values and laws.

Similarly, in a business enterprise both its management and the providers of capital are accountable for their actions both within and outside the firm, including the community or society at large (Lewis 2006). The stress on accountability is stated in various verses of the Holy Qur'an, including:

Allah will not call you to account for that which is unintentional in your oaths, but He will call you to account for that which your hearts have earned, and Allah is Oft Forgiving, Most-Forbearing (Al-Baqarah: 225).

To Allah belongs all that is in the heavens and all that is on the earth, and whether you disclose what is in your own selves or conceal it, Allah will call you to account for it. Then He forgives whom he wills and punishes whom He wills. And Allah is able to do all things (Al-Baqarah: 284).

The above verses deal not only with personal accountability but apply to organizations as well. Consistent with the Islamic ontology of a dual worldview, this world, and the hereafter, Muslims have to ensure that their activities in the world are in line with Islamic principles. Every Muslim has an 'account' with Allah, where all their actions,

whether good or bad, are recorded and accounted for. Indeed, this concept constitutes a core message of Islam, which applies to the political, social, and individual realms. As such, the Islamic view of accountability is based on two main themes, i.e., the concept of *Tawhid* and the concept of ownership (Maali and Napier 2007). The first theme is the concept of *Tawhid*, which implies total submission to God's will, and adherence to the religious requirements in all aspects of life. Muslims have to devote themselves to God as the fundamental aspect of their behaviour. A Muslim is required to believe in the things mentioned in the *Hadith* of the Prophet and in the Holy Qur'an (Al Safi 1992).

According to Hameed (2001, p. 9) "The concept of *Tawhid* [Unity and Oneness of God] implies that since there is only one God who is the creator and sovereign of all [human and non humans], Islam [literally meaning submission] requires total submission to him in all aspects of life." It is argued that the concept of *Tawhid* has a broader concept of accountability than that which exists in Western societies. This is understandable as the Muslim's belief in God's judgment implies that every act in this world will have to be accounted for to Allah. In the Islamic framework, human beings are accountable to God on the Day of Judgment for their conduct over the course of their lives as stated in Al Qur'an: "...certainly, Allah is ever a careful account taker of all things" (An Nisa: 86).

The second theme is the concept of ownership in Islam. God is the ultimate owner of all things. Human beings are God's appointed caretakers on earth and what is given is a trust from God. Hence, individuals are seen as trustees to whom God has given blessings in the form of goods, property and other

less tangible assets (Lewis 2001, p. 110). This does not imply that Islam does not recognize private ownership. Everyone has the right to own property, but ownership is not absolute. Ownership of property is a trust (*amanah*) to be enjoyed conditionally upon the compliance of the *shari'ah* and remaining worthy of the trust given. Therefore, a person holds property in trust for God, and should use this property in accordance with God's will.

Seen in this light, the concept of accountability in Islam is parallel with the concept of trustworthiness in which man, in his or her judgment of his or her actions, is influenced by the fear that he/she will be held to account by Allah. This concept of trustworthiness is one of the highly regarded virtues in Islam especially for those involved in business, as the Holy Prophet says "A truthful merchant will be raised on the Day of Judgment together with the truthful and the martyrs" (Asri and Fahmi 2004, p. 5). It is believed that the importance of accountability in Islam can be traced in the Holy Qur'an to the *Sunnah*, which contains God's inspired acts - the sayings of the Prophet Muhammad (Hamid et al. 1993) and the traditions of the *sahabah* (companions) as well as Islamic jurisprudence. Therefore, every individual in an organization is required to subscribe to ethical and moral practices while carrying out their activities as they are seen as trustees.

In addition, Islamic accountants should attempt to enhance accountability through providing appropriate information and make economic or social decisions through a moral framework. This means that an Islamic accountant plays a very significant role in providing information to fulfil religious duties. Thus, accountability in Islam requires every Muslim, including accountants, to make sure

that their activities are in compliance with Islamic rules (Abdul Rahim et al. 2012, p. 128).

Good governance, the whole system of rights, and the processes and controls established internally and externally over the management of an entity, with the objective of protecting the interests of all stakeholders (Hameed 2007) is a necessary precondition for accountability in Islam. Good governance is about how the organization is managed and controlled, and the manner employed to ensure accountability and transparency as well as trustworthiness (Aziz 2005, Asri and Fahmi 2004). Currently, good governance of economic and administrative aspects includes the elements of increased public accountability and transparency, respect for and strengthening of the rules of law and anti-corruption measures (Rogers 2007). An organization committed to the highest standards of accountability also needs to foster practices that create an environment of transparency, accountability, and integrity.

An effective system of good governance requires an effective system of financial reporting, and an effective system of financial reporting requires good accounting and accountability practices, as at the institutional level good governance is essentially about how the organization is managed and controlled, and the manner of ensuring proper accountability for those in charge (Aziz 2005). As far as Islam is concerned, the management of the organization should perform their duties with the objective of satisfying the needs of the stakeholders and Allah as well. There should be no fraud, materials misstatements or other malaise in the organization.

It is argued that this thinking has been outlined and implemented among *sababah*² of the Prophet and previous Muslim scholars. This view is in line with the comments of Badawi (2004, p. 4) in his speech:

Honesty and integrity; a passion for justice and a sense of fairness; love of the people, especially the poor, and a willingness to listen to their grievances; and a readiness to seek counsel from the wise and the learned, were some of the attributes of leadership and good governance outlined by famous Islamic thinkers such as al-Farabi and al-Mawardi, al-Ghazzali and Ibn Khaldun.

From this point of view, accountability in Islam is broader than what is generally understood in the traditional view of accountability. In Islam, accountability is designed not only for the stakeholders, but also to Allah. This clearly differentiates the Islamic accounting model from that of the Western model, where accountability to the stakeholders, such as the owners, is given priority. As far as Islam is concerned, the management of the organization should perform their duties with the objective of satisfying the needs of the stakeholders as well as accounting to God. Mordhah (2012, p. 242) notes “it goes beyond actions or thoughts to include even attention.” As such, accountability encompasses both the vertical and the horizontal accountability to God to other individuals and the community respectively.

Therefore, those in charge of economic resources are obligated to present an account of the execution of their stewardship, irrespective of whether the transactions and resources in question are those of a government, a business or non-profit organization,

as clearly shown by the saying of Prophet Muhammad “Each one of you is a guardian and each guardian is accountable for everything under his care” (Asri and Fahmi 2004, p. 4). However, there are questions that need to be answered, i.e., what form of accountability should be shown by organisations? Do organisations, especially non-profit organizations, need to show formal accountability in terms of providing financial reports, or can this be shown informally just from oral evidence?

Even though a significant proportion of social and economic activities are currently conducted within non-profit organizations, most studies of accounting practices to date have concentrated specifically on accounting for profit-making organizations (Lightbody 2005). Various scholars have suggested that religious or faith-based organizations are classified as belonging to the broader sector of non-profit organizations or civic societies. In Islam, civic societies are believed to be as old as Islam itself (Bremer 2004; Epley 2004; Lightbody 2005). Moreover, accounting and financial reporting have long been viewed as very important components in improving the accountability of Islamic religious organizations. However, only limited studies have been conducted in this area to discuss the need for adopting Islamic accounting standards (Sarea and Hanefah 2013, p. 72).

As accountability to God and the community for all activities is paramount to a Muslim’s faith, the notion that human beings have an ‘accounting book’ with God is a central tenet of Islam (Lewis 2006; Kamla et al. 2006). However, like most of the world’s major religions, there are variations within

²*Sababah* refers to someone who saw the Prophet Muhammad and believed in him, as well as dying as a Muslim (Haddad 2009, p. 2)

Islam, which influence the interpretation of Shari'ah law, and therefore have implications for Islamic finance. This implies a flexibility in Shari'ah law, which on the one hand has facilitated the rapid growth of Islamic finance, but on the other hand has resulted in differences in the practices between Islamic banks (Kahn 2007, p. 287; Olsen and Zoubi 2008, p. 48). Different practices arise due to the nature of the sources of Islamic law. The two primary sources are the Holy Quran, the revealed word of God to the Prophet Muhammad in the seventh century, and the *sunnah*, a written record of the sayings and doings of the Prophet during his lifetime. Both mainly provide principles and recommendations to guide Muslims in their daily lives, including commercial activities. Interpretation is therefore required when applying Islamic law to changing times and circumstances, including developing financial products suited to a modern day global economy. Not unnaturally, this results in differences of opinion so that the established practices of some Islamic banks are unacceptable to others (Vinnicombe 2012, p. 80).

Methods

This study is based on a qualitative approach in which the data were derived from semi-structured interviews. The semi-structured interviews were used to provide the interviewees with a degree of freedom to respond and be questioned, as well as to allow them to explain their thoughts in greater depth in order to gain more in-depth information (Rahim and Goddard 2003). Four Muslim scholars from Aceh province in Indonesia, and eight from Malaysia were interviewed. The scholars from Aceh were selected as respondents for this research given that Aceh is the only province in Indonesia which has been

granted autonomy by the Indonesian central government to implement *Shari'ah* law in all aspects of society, including in the economic sector. Hence, given this context, the perspectives of the scholars from Aceh on the issue of accounting and accountability in Islam is timely and relevant for exploration. Moreover, as compared to the other provinces in Indonesia, the market share of Islamic banking and financial institutions in Aceh is the highest in Indonesia (approximately 10 percent in 2014).

Muslim scholars in Indonesia and Malaysia were interviewed to evaluate the scholars' views on the accountability of *Pesantren* (or in Malaysia they are called *Pondok*), which are Islamic religious educational institutions that have traditionally existed in both countries. Hence, Islamic scholars in Indonesia and Malaysia were expected to provide a better contextual understanding of this type of institution, given that these institutions are prevalent in both countries. All the selected scholars interviewed had an in-depth knowledge of Islam.

To get clearer and more comprehensive perspectives of the accounting and accountability of religious organizations, the study also interviewed two organizational donors, and two relevant government officers and two *ulamas* (*mufti*) from both Indonesia and Malaysia. We strongly believed that this number of scholars would provide a broader and more comprehensive perspective on the accounting and accountability of Islamic organizations in both countries since the number of Islamic scholars with a good understanding of the accounting and accountability of *Pesantren* is limited.

Specifically, the selection of the interviewees was made based on a purposive sampling. The researchers selected the inter-

viewees with a purpose in mind. According to Waltz et al. (2005, p. 221), the purposive sampling is defined as “The selection of the data source to meet the needs of the study.” It is argued that the data source may be individuals who have knowledge or experience of the research topic of interest, or other types of data that would enhance the researchers’ ability to comprehensively understand the topic. This approach is considered appropriate since the research is explanatory in nature, in which not all the cases of interest can be identified ahead of time (Green 2005). As such, one of the requirements of our study is that the interviewees must be knowledgeable about Islam, but not necessarily have a broader knowledge of Islamic accounting and accountability. The focus of this study was not on accounting procedures, but more on the Muslim scholars’ perception of the way Islamic religious organizations show their accountability, and the roles of accounting and financial reporting in enhancing these organizations’ accountability. It should be acknowledged that the majority of the interviewees are experts in Islam, but not specifically experts in the field of accountancy, given that the purpose of this research is to obtain the Muslim scholars views of accountability in Islam. However, two of the interviewees are accounting scholars who have expertise in Islamic accounting. Thus, in this study, the interviewed Muslim scholars appear to express their views in a forthright manner on the issues discussed.

Besides the Muslims scholars, two interviewees are from organizations which provide funding, one from a prominent Non-Governmental Organization (NGO) that provides donations to Aceh and the other one from a governmental department in Indonesia that provides funding to the *Pesantren* in Aceh. Interviews with the donors were done

to solicit their views regarding the accountability required and needed from the organizations that they provided funding to. In total, 18 people were interviewed and 20 interviews were undertaken. This was because some people were interviewed more than once. With this number of interviews, the authors feel that the study has attempted to provide sufficient information about the issues. Each interview lasted about one hour on average. The empirical study was conducted over a six-month period. The details of all the respondents interviewed in this study are provided in Appendix 1.

Findings and Discussions

The Role of Accounting and Financial Reporting in Enhancing Accountability

Generally, religious or faith-based organizations are considered to be nonprofit organizations or civic societies. In Islam, civic societies are believed to be as old as Islam itself (Bremer 2004; Epley 2004; Lightbody 2005). Moreover, accounting and financial reporting have long been viewed as very important components in improving the accountability of Islamic religious organizations.

Accountability to God and the community for all activities is paramount to the Muslim faith and the notion that human beings have an ‘account book’ with God is the central tenet of Islam (Lewis 2006; Kamla et al. 2006). All of the interviewees agree that financial reporting has an important role in enhancing the accountability of any religious organization. As a senior lecturer at the International Institute of Islamic Thought and Civilization, Malaysia acknowledged:

During and after the time of the Prophet this [the recording of financial transactions] is very, very important. However, the actions of Muslims are not based on their principles. The Accountant will also cheat [laughing], most of the scandals in the banks, and so on [laughing] are because of the accountants (A12).

This was also expressed by an academic from the Islamic studies course, University of Science, Malaysia. As he explained:

It is an important aspect to assure that everything must be run efficiently...if all the transactions have been recorded properly...it will not create the issue of non-credibility. Secondly, it will increase the effectiveness, the competence and the efficiency of how they spend the funds received from the donors. As such, it [the records] can be reviewed and studied (A09).

This understanding implies that there is a link between Islamic teachings and accounting. Proper recording and reporting are viewed as having a very important role in providing information to the users and are used to improve the accountability and efficiency of the institutions. Besides, it can develop a mutual trust between the institution and its donors. Other interviewees pointed out that proper financial information is very important to show the transparency of the organizations. As expressed in the following comments of the various scholars interviewed:

Of course, I view it [financial report] positively, [there] must be a proper report, [there] must be a proper chart, [there] must be a proper organization, and [there] must be a proper [record of the] inflow and outflow of money. Those things are very important to show transparency. Clearly, that is very important in Islam (A11).

I see it as very important, I always read about zakat [alms], and I like to see the amount

received, distributed, as well as whom the recipients are. Although it is difficult to read, but I will try to see how much the inflow and outflow of funds are. For me, it is very important, even though, I cannot understand it fully (A10).

Financial reporting is very important. It is extremely important. They should provide weekly reports, monthly reports, stick them on the wall, we receive money from this source, we buy these, and we spend on these. These are the expenditures and so on...you cannot trust anybody unless they have good administration, management, and recording systems (A03).

I think accounting is very important...there are various verses [in the Quran] that show the importance of accounting... The Holy Qur'an has placed the foundation for such matters (A01).

Thus, there are no different perceptions among the Muslim scholars interviewed regarding the importance of accounting, and particularly financial reporting, in enhancing accountability. All the interviewees believe in the importance of accounting in providing information and to evaluate the management and transparency of Islamic religious organizations. It was indicated that the accounting concept was not new, in either its conception or practice, in Islam. However, it may not be well operationalized as noted by one Muslim scholar from the University of Science, Malaysia:

Accounting activities have existed in Islam since the first era, the first day of Islam. The Prophet implemented accounting activities during that period which provided the base for the accountability mechanism practiced during the era of Caliph Umar bin Khattab. Such foundations were developed by the Prophet. Hisbah is accounting, hesab is counting. So a Muhtasib,

an officer who is in charge of the state assets' financial management, is needed. However, the concept of hisab in Islam is wider (A09).

It is believed that the accountant and hence accounting is also actually given a key role in Islamic history. As Kamla et al. (2006, p. 257) explained:

The person that is described as an accountant or Muhtasib in Islam is the one responsible for making sure that businesses are not harming the community. It was the Muhtasib's task, among other things, to ensure that business activities such as banking and tanning were situated in areas where they did not have a negative impact on the community through the emissions and smells they produce...the muhtasib was charged with checking that businesses were not disposing of their waste in a way that was harmful to the community surrounding them. The Muhtasib during the Islamic rule of the 15th and 16th centuries are reported to have made sudden visits to these business locations to ensure that their activities were in compliance with the best interest of the ummah. The Muhtasib's role, in respect to accountability in an Islamic society therefore, was not limited to technical and financial traditions. It was a social role, whereby the Muhtasib's accountability extended to making sure that shariah's social rules in respect of the ummah's welfare and interests were enforced and complied with.

Some interviewees also pointed out that accounting had played a significant role during the golden era of Islam as one Mufti (Director of the Indonesian Council of Ulama, Aceh province) explained:

Accounting plays a very important and significant role, and the achievement of the previous Muslim era, especially in financial matters and so on, are due to that [the sound prac-

tices of accounting]. Currently, if we read the modern textbooks, we can still find the total income of zakat figures collected in Egypt, as recorded by the Governor Amr bin Ash during the era of Caliph Umar bin Khattab. This means that [even during that time] the recording of accounting activities was done very systematically (M02).

This is supported by another academic from the Islamic State University Ar-Raniry, Indonesia who explained that good financial administration existed during Islam's golden era:

Sure, we [the Muslims] were at one time successful in managing the world. We had been successful and had good financial administration. Then the ignorance surfaced and went on for hundreds of years and we become uncivilized, primitive in our management skills. Now we are just like the 'losers' (A03).

This understanding implies that there is recognition of accounting as giving a tremendous historical contribution to the development of Islamic communities, especially in the development of Islam's charitable sectors, as well as in the public sector. This can also be seen from the following quote:

There was an institution under the Umayyad Caliphs, which was similar to this institute, called Diwan El-Kharaj. However, it was responsible only for collecting government income. This institution was established during the rule of the Abbasid Caliph Al-Mahdi to be mainly responsible for collecting, reviewing, and controlling the government revenues and expenditures. This institute required a representative in every organization and in every region to review, monitor, and control the organizations' accounts and report them to the head of Diwan El-zemam. (Al-Qahtani 2007, p. 5).

To Whom Should the Islamic Organizations be Accountable?

The majority of interviewees agreed in principle that Islamic religious organizations should be accountable to Allah and the society as a whole, including the donors, the government, beneficiaries, and the public at large. A senior lecturer from the Islamic State University Ar-Raniry, Indonesia said:

If he received funds from the government, he must provide an account to the government. He also has to provide accounts to other stakeholders; meaning to the society. Accountability in Islam is the accountability to God and the accountability to society. In addition, Islamic law contains two accountabilities, accountability in this world and accountability in the hereafter (A02).

Similarly, another academic from the same organization explained that:

Islamic religious organizations have an obligation to be accountable to their donors as well as to society. In Islam, accountability is wider, accountability to the constituents and accountability to God (A03).

Thus, accountability in Islam is viewed as being broader than what is generally understood in the West. There is an individual's accountability to the society or stakeholders and there is the same individual's accountability to God. In a similar vein, one of the scholars of Islamic studies from the University of Science, Malaysia also shared the same view as he explained:

First, certainly he or she is accountable to God. Since the donor gave the money because of God. Second, the accountability is to the donor and accountability to the target group...because these are the people intended to be helped (A09).

This argument was supported by one of the interviewees from the International Islamic University Malaysia as he said:

According to Islam, accountability first and foremost is to God. The second is to society, specifically, to the donors (A07).

The same view was also illustrated by a senior lecturer from the International Institute of Islamic Thought and Civilization, Malaysia as he said:

I think the principles of accountability for us [Muslims] should go to the donors as well as to the whole community (A12).

He argued that Muslims believe in the unity of God as the creator of human beings, in which God's sovereignty is recognized. This concept of unity is defined as *tauhid* (oneness of God), which is the basis of Islamic belief. Furthermore, Islam provides a complete code of conduct for human beings. Therefore, accountability in Islam includes both vertical and horizontal accountability, to God and to people.

All the interviewees revealed that the providers of financial resources are the important group in society to whom nonprofit organizations should be held accountable. Accordingly, Muslims are accountable to God and also they must demonstrate their accountability to society, and more specifically, in the case of nonprofit organizations such as *Pesantren*, they have to be responsible to the donors of their financial resources as well as to their recipients. This is also illustrated by Sulaiman and Willet (2002, p. 11) in the following quote:

The axiom of equilibrium or Al-'Adl prescribes the relationship among individuals. Related to equilibrium is the concept of justice. From the perspective of the absolute, this refers to the supreme attribute of God. God him-

self promises justice for all. From the perspective of social action, equilibrium is the binding moral commitment of individuals in a society to uphold a delicate balance between their individual rights and their responsibility towards the ummah. Accordingly, in Islam everyone is ultimately accountable to God and this accountability encompasses their accountability to society.

Thus, these views are consistent and compatible with the basis of the stakeholder theory in which companies/organizations are so large, and their impacts on society so pervasive that they should discharge their accountability to many more actors. Therefore, the theory rejects the idea that an organization/enterprise exists only to serve the interest of its owners. Rather, the theory is based on the idea that the organization/enterprise exists to serve the many stakeholders who have an interest in it, or who in some way may be harmed by it or benefit from it (Solomon and Solomon 2005; Donaldson and Preston 1995; Elias et al. 2000).

However, one of the interviewees in Islamic studies from the University of Science, Malaysia has a slightly different view regarding this issue. For him whether the organization should provide a report of its accountability or not depends on the conditions required by the donors. As he explained:

The money should not be reported to any specific parties. However, if the donors put a condition on them to provide the report of accountability to the donor, then he or she has to prepare the report. If not, then his or her responsibility is only to carry out the amanah based on the trust put in him or her (A08).

Seen from this argument, *amanah* is viewed as being more important, even though it can disregard reporting to the donors or other related parties if they do not request a

financial report of the resources donated to the organization. He argued that this *amanah* is only given to sincere people. *Amanah* is defined as “A mental attitude of being completely trusted” (M02) which is in line with Sosis’ definition (2005, p. 1):

We may employ the word trust to characterize the attitude of agents toward other agents. Thus sometimes it denotes an attitude of confidence about another agent’s reliability. However, we also use trust to describe behavior. Accordingly, to trust is to act on this attitude of confidence in another agent’s reliability.

Showing Accountability

How should religious nonprofit organizations show accountability in Islam? Must they show accountability formally? Even though there is a different perception among Muslim scholars regarding this issue, the majority of interviewees pointed out that accountability must be shown formally or on paper. As one of the interviewees said:

If people are like the Prophet probably yes [informal], but now it is necessary [written]. Even God orders two angels, to write it down [our deeds] (M02).

A Muslim scholar in Islamic studies from the Islamic State University Ar-Raniry, Indonesia, also shared a similar view, “All must be recorded, Al Qur’an says when dealing with debt, it must be written down” (A03).

He argues that formal reporting such as financial reporting is a very important element in demonstrating accountability and is considered a religious obligation. This is also supported by another scholar from the same organization. As he claimed:

What is stated in the Holy Qur’an is that you have to record transactions...all transactions, in any context, must be recorded, because it is a

form of accountability, and it is amanah (A04).

Thus, from the views of the Muslim scholars, Islam requires a written report as a mechanism to show the financial responsibility of the institution. It represents one of the most important tools for promoting and enhancing accountability and transparency in any organization. Accordingly, those who are held to account should not give an account of their actions through an informal report. In addition, this interviewee suggests:

Now the need for proper recording has become 'compulsory', as it is mentioned by Hanafi scholars. Since all transactions require a legal standing, thus, authentic evidence, such as recordings are needed (A04).

Clearly, there is a view that organizations that manage community funds, such as *Pesantren*, should provide written reports. As expressed by several Muslim scholars below:

In Islamic teachings, this [financial] matter should be able to be seen, must be able to be proven....It is important to note that Islam also has a mechanism to confirm that the accountability is really carried out. It was known as the system of hisbah. If the system of hisbah is available, and there are officers of hisbah, known as muhtasib, then how can the muhtasib examine something to see if it was well implemented or not, if there is no written document, etc. (A09).

All has to be written down clearly...you have to show on paper, there is no other choice (A11).

We have to show a formal report actually, people do not really trust you or believe you unless you make it formal, especially in the present day...I think it [informal report] is not really good, not really systematic according to the Islamic point-of-view, when you just say

it verbally, without showing the actual report to your donors (A12).

There must be a record, what did we buy; how much have we spent; there must be a record, so that other people can verify it. If we did not do it, there might be accusations that we have mis-used the money (M01).

Besides, founders are now also increasing their reporting requirements. Recipients are more frequently asked to provide detailed financial information. This can be seen from the following comments:

We cannot rely only on verbal reports. When we donate to some organizations, of course we asked them to submit a regular report...we usually ask them to give us an audited account, all the time we ask them to give us audited accounts by a registered audit firm (D1).

However, there are also some different opinions from those interviewed about the way to show accountability in Islam. This is illustrated in the following comment by one scholar in Islamic Studies from the International Islamic University, Malaysia:

If we referred to Islamic teachings, it is only for those pertaining to borrowing that something must be written. Other than borrowing, it is often based on trust or amanah. How far is the amanah carried out? This does not mean that the possibility to develop an accountability mechanism in Islam like you mentioned earlier as a 'written report' is not there (A07).

He further said:

It is clear in the Holy Qur'an, the transaction was the transaction of ad-Dayn [the borrowing]. Absolutely it must be recorded, because there is potential for a huge disagreement. Therefore, the Holy Qur'an requires it to be recorded. It must have a clear record. Therefore, accountability is quite clear there (A07).

In the context of *waqaf* (Islamic endowment), which includes donations, he argued that the transactions are different and that it is not part of the contract of *ad-Dayn* (borrowing), it is not a trade contract. Therefore, the accountability in this context is more flexible. As he explained:

Providing a report is more flexible in this context. For me it can be formal, or informal. As I said earlier, the principle of amanah in Islam is how far we carry out the requirements of the donors (A07).

This is also supported by a senior lecturer from the Islamic State University Ar-Raniry, Indonesia. As he said:

The important thing in the accountability is trust. Oral [providing a verbal report] is okay, we make it all clear. We may not blame them if they did not have the human resources...we have to see their situation. The issue is that they do not have any staff (A01).

However, another scholar from the International Islamic University, Malaysia provided a slightly different interpretation of the message of the Holy Qur'an. As he said: "Accountability should be performed in a formal way" (A06). He argued that even though *Surah Al Baqarah* verse 282 did not specifically state that for all transactions, one has to understand the spirit of that verse in the context of two people, one the borrower, and one the lender. Regarding accountability to another party for the loaned money, God makes it clear that debt transactions must be recorded. Seen from this perspective, clearly, there is a different view and interpretation existing among Muslim scholars regarding the recording of financial transactions and how the accountability should be demonstrated.

Informal reports are not considered as fulfilling the requirements of Islamic law (*shari'ah*).³

The message of the holy Qur'an Faqtubu...write it down. How can the donors feel safe; can be sure. Thus, recording it will create trust...(A02).

This argument is supported by one of the scholars interviewed at the University of Science, Malaysia. As he illustrated in the following comments:

So, if we want to comply with shari'ah [Islamic law], then written documents are needed to show that the accountability has been carried out and has been fulfilled (A09).

The above quotes imply that in spite of the different views that exist among Muslim scholars, there is a general belief that a formal accountability mechanism is an integral part of religious-based organizations and is strongly encouraged. Some scholars consider it as compulsory. Formal reporting can only be provided through a proper accounting system. As one of the main objectives of the accounting systems is to aid accountability (Lewis 2006), accordingly, there is no doubt that accounting becomes a very important element and a successful aspect of the accountability mechanism in Islam.

However, it is acknowledged that there are some arguments that accountability can be demonstrated informally. One of the interviewees from the International Islamic University, Malaysia viewed that this argument is not in line with Islamic teaching. As he said:

"It does not meet the requirement of Islam" (A06).

³ Islamic law, also called *shari'ah*, is a comprehensive code of life regulating the entire spiritual and material life of Muslims. It is based on the Qur'an, *Sunnah*, *Ijma'* and *Qiyas* (Zaid 2000, p. 330).

This scholar believed this argument actually tried to bring in religion as the justification not to use management accounting techniques and accountability. He rejected using the informal mechanism as a tool to show accountability. As he elaborated:

We should not use that [informal accountability] as an excuse in saying that Islam, our relationship to God is very informal. Therefore, it is not necessary to be formal, we can be informal. Nevertheless, by being informal, we are not fully accountable. How do you measure if you do not report? If you do not use a document, how do you measure? (A06).

It is suggested to view this from the context of *Sirah as-Sahabab* (the companions' history), such as in the case of Caliph Umar bin Khattab. This interviewee argued that when Caliph Umar bin Khattab established [a zakat/charity collection institution called] Baitul-Mal, he formalized and institutionalized the system. The Caliph understood that accountability should be shown to the community and to God. He believed that there was a proper reporting system. However, the Caliph could also decide to remain informal, as the previously existing way of performing accountability was very informal.

The majority of interviewees emphasized that Islamic institutions should not use the informal accountability mechanism to explain their responsibilities, and especially their financial affairs. Because times have changed, all religious organizations have to meet and incorporate reporting requirements, as explained below by an academic from the Islamic State University Ar-Raniry, Indonesia.

No, it is not the time any more, the time is past for those standard things [informal accountability]. Now it must follow the rules of accountability, the rules of bookkeeping, the rules of fund-

ing administration, it is necessary, we cannot avoid it. It is a part of the core teachings of Islam (A03).

This is also illustrated by one of the individual donor's to an Islamic religious organization in Indonesia, as he commented:

The management should at least provide a written version and this can be displayed on an information board and so on. It would be more than enough, even if it were merely displayed on the wall. If it is only done by a verbal, informal explanation with some complaints [concessions] saying we have limited funds but we have made significant developments, I think it sounds like rhetoric (D2).

Trust (Amanah) and Accountability

The majority of interviewees agree that trust or *amanah* plays a significant role in enhancing institutional accountability. This is illustrated by the following comment from one Muslim scholar:

It will be an unbeliever, those who do not hold amanah. Amanah means an attitude of completely being trusted. In Islam if a person is not amanah, they cannot be trusted at all. Trust is given to someone by somebody and is strongly associated with his or her faith. If his or her faith is depraved, all of his or her deeds are not true (M02).

However, this *amanah* cannot replace the accountability mechanism for the public. *Amanah* also does not stand alone, it is influenced by the systems and the accountability mechanism. This is depicted in the following comments by a scholar who was interviewed:

Amanah [trust] is a mental attitude, it is a personal attitude... I am trustworthy, I am amanah, but how are you going to prove it? We cannot put it as a kind of mechanism... amanah must be managed through the real

mechanism, through the bureaucracy, through the system... Amanah can be maintained through a good system, otherwise it will collapse. It will collapse, especially in this modern age. (A03).

All the interviewees agreed that a person who manages the public's interests must be *amanah*. However, to avoid public misconceptions, a financial report to the stakeholders is needed to enable the public to know that those who manage the community's funds are truly *amanah*. Otherwise, it would be problematic and difficult to know, for example, if they are *amanah*, they never lie, and so on, even though they appear to be very good individuals who do not cheat, etc. As commented by one of the scholars in the accounting field from the International Islamic University, Malaysia below:

How do you know the institution is amanah or not? It will depend on how good this institution is in the eyes of the public...how do you know the organization is good? If the organization provides a financial statement, they never lie, the financial statement is audited, and has integrity, accountability, independence, and then people will know whether you are amanah or not....You claim yourselves as amanah, I am good man, I am amanah, but [if] you do not report and show your amanah, how will people know? (A06).

He argued that the intention is not to show that we are good, but the small group of people who understand the accountability mechanisms and financial reporting will know whether the organization is in fact *amanah*. These small groups of people are the very important stakeholders for any institution that manages the community's funds. The institutions have to satisfy them in order to attract more financial support for the existence of the organization. For him, *amanah* is a measurable thing, as he claims, "*Amanah* to

me can be measured, otherwise we would not know that the Prophet is *al-Amin* (the truthful), if we cannot measure *amanah*." It is the same in the case of the organization.

Accounting: Sacred or Secular Activities?

Accounting activities in Islam are regarded as sacred activities. One interviewee said: "Definitely yes, for me, there is no argument for that. It is religious, it is compulsory, it is obligatory, and anybody dealing with that has to do it sincerely, with honesty" (A03).

This is in line with the following quote:

Accounting in the broad sense is central to Islam. Since, accountability to God and the community for all activities is paramount to the Muslim faith...one of the primary objectives of the accounting is as a system to aid accountability (Lewis 2006, p. 1).

The above quotes clearly imply that in Islam, accounting is not a secular or profane activity. It is an integral part of an institution's management and it is part of a religious obligation. It is argued that Islam also encourages ethical behavior such as sincerity and honesty in managing funds and financial resources. Other interviewees pointed out that there are many verses in the Holy Qur'an relating to accounting activities. This is depicted in the following comments by an academic in Islamic Studies from the University of Science, Malaysia who said:

There are many verses in the Holy Qur'an about property, about the law of inheritance. If a mother passes away and leaves her children, then this child gets half, that child receives one third. I think these are also parts of accounting activities (A09).

These quotes imply that in Islam, accounting is clearly a part of ones sacred activities. The religious and the secular divide are unknown in Islam. One of the senior lecturers at the International Institute of Islamic Thought and Civilization, Malaysia said:

Faqtubu is mentioned so many times, about *kitab* about records, to record, to write, not only once, but about other loans, about borrowing, so many other things...to write not only on this matter, in this context, so many, so many, countless actually. So many [verses], brother, so many verses about *kitab*, about *kataba* (A12).

The sacred and secular dichotomy was noted in the accounting and accountability literature by Laughlin in 1988, subsequently refined and extended by Booth in 1993. It has become influential within the academic accounting community and the dominant interpretive model for researching the practices of religious organizations (see Hardy and Ballis 2005). All activities within religious organizations (churches) can be separated into two categories, the first of which are the activities to do with teaching, preaching, educating, and meeting the welfare needs of the religious community. These are considered to various degrees as having to do with the sacred. Conversely, finance, administration, resources management, and commercial functions that appear to be not directly related with the core mission activities of the religious organization are considered as secular (Hardy and Ballis 2005; Laughlin 1988; Booth 1993).

The rejection of sacred and profane dichotomy in Islam was also stated by one of the Muftis in Malaysia, as he said:

We cannot separate the worldly affairs with the ukhrami [eschatological]. We are held ac-

countable for all our actions in the hereafter. Thus, it is a part of religious affairs. Since, it is part of religious affairs, so, our understanding is that we cannot separate between worldly affairs and religious affairs (M01).

In a similar vein, another scholar interviewed described that:

From the Islamic point-of-view, any instrument, activities, or tools, which are good in nature, are considered good. Anything, which is bad in nature, will be bad in Islam. Accounting is good, because it fills the accountability relationship and, therefore if accounting follows the spirit of, or requirements of, Islam then it is an Islamic accounting (A06).

He argued that the reason that some people do not consider accounting activities as religious activities is due to their lack of knowledge of Islam, and that they do not understand the role of accounting in that sense. As he further said:

[The reason] it has been considered non-Islamic is because we do not practice it according to Islam. Therefore, if accounting follows in the spirit of or requirements of Islam, then it is an Islamic accounting. If you understand Islam and you understand the worldly activities, then you can reconcile the administration; why we have a separation, to some people, because they do not understand. They said that this is unnecessary; they do not understand the role of accounting in that sense (A06).

Clearly, in Islam there is no separation between the sacred and the profane. Muslims cannot become good Muslims if they compartmentalize their behavior into sacred and secular dimensions, as all their activities are bound by the *shari'ah* (also see Kamla et al. 2006).

Nevertheless, some religious people still consider themselves as accountable only to God, and they only need to be accountable

to God. In responding to this argument, one Muslim scholar said:

It is a very 'clever' excuse as if [one was] hiding himself from his weaknesses. It is as if [one was] hiding behind God. What is God here? God means humanity. We are the Khalifah (vicegerent) of God. What do you mean I am only responsible to God? What does that mean? That your prayer is okay? However, in dealing with money, material matters and so on, this concerns the Khalifah of God. Thus, we are managing the activities, the trust that is given by the Khalifah of God (A03).

This quote implies some views that donation (*sadaqah*) is an act of worship. Their organizations are exclusively accountable to God, not to man. Thus, there is a reason for not disclosing financial information. It is argued that accountability to God is achieved through performing accountability to human beings.

This is in line with what Baydoun and Willett (1994) note as quoted by Sulaiman and Willett (2002, 24):

From Islam's perspective, an individual is ultimately accountable to God...Islam teaches the individual to regard life as a matter of mutual cooperation and personal responsibility so that accountability to God can be interpreted as accountability to the ummah [community of believers].

This means that from an Islamic point of view, we cannot separate between accountability to God and accountability to human beings. This was also stated by another interviewee as he elaborated:

In Islam, we cannot separate the relationship between God and humankind. You fulfil your responsibility to God, but you ignore your responsibility to humankind. There is no such thing in Islam, because you may not separate

between God and human beings. Certainly, it is different, but accountability to the community is the result of, or comes from, our accountability to God...When you fulfil your responsibility to your fellow human beings, then it means you also fulfil your accountability to God (A09).

The same view was also expressed by another academic, as he explained:

It is not correct to say that we are accountable only to God, as we are also accountable to man (A11).

The above arguments clearly indicate that accountability to God implies accountability to society as depicted in Maali's et al., (2003, p.21) explanation:

The relationships of Muslims to each other and to the ummah [which refers to the Islamic society] in general are emphasized in the Qur'an and in the deeds of the Prophet Muhammad. This implies that submission to the will of God includes recognizing the rights of others, and dealing with society justly. Thus, accountability to God includes accountability to society.

More importantly, it is believed that a person's relationship with other individuals mirrors their relationship with God. As one interviewee explained in his comment:

If you behave well to people, there is a strong indication that you are being good to God. If you do not behave well to people, definitely you do not have good relationship with God. For example, look at us; if we are good with others, definitely our relationship with God is good. If we are not good, definitely our relationship with God is not good (A06).

Conclusions and Implications

The findings of this study affirms that the concept of accountability in Islam is not

only restricted to financial accountability, by means of financial reports, but goes far beyond this so that all activities are required to be accountable. This is because all Muslims believe in God and that they will be subjected to *hisab* in the hereafter for their actions in this world. As such, every Muslim, either as an individual or as the head of an organization, needs to ensure that their deeds and words in this world are in accordance with the God given rules. The study also affirms that the concept of accountability in Islam is one of personal accountability, in which each person will be accountable for each of his or her actions and inactions on the Day of Judgment.

Another important theoretical contribution from this research is that the accountability relationship in Islam is also different from the conventional accountability relationship. The majority of Muslim scholars interviewed emphasized that accountability in Islam is understood as being broader than what is generally understood in conventional accountability because conventional accountability approaches are not considered to extend beyond human society, and do not envisage any accountability to God. Whereas, the accountability relationship in Islam not only involves the relationship between the management of an organization and its stakeholders, such as the providers of its financial resources, or the government and society at large, but also involves the relationship between the management and God, as the ultimate owner of everything. Therefore, Islamic religious organizations should be accountable to society as a whole, including to their donors, the government, their beneficiaries and the public at large, as well as to God since it is an injunction of Islamic teaching. There

was no different view among the Muslim scholars interviewed regarding this issue. This phenomenon suggests that the accountability relationship in Islam is not only to fulfil the legal requirements of accountability but also to fulfil the relationship with God. The study indicates that there is no clear distinction regarding the way to show accountability to God and to human beings since accountability to God is interpreted as accountability to society.

Regarding how financial accountability should be demonstrated, there are some arguments that in Islam accountability can be demonstrated both formally and informally. However, the findings clearly indicate that there is a general belief that a formal accountability mechanism is strongly encouraged. Therefore, any organization dealing with community funds must demonstrate their financial accountability formally through written reports. Even though, it is acknowledged that in Islam trust or *amanah* plays a significant role in enhancing accountability, the findings of this study affirm that as far as Islam is concerned trust cannot replace the accountability mechanism to the public.

Another theoretical contribution of this study is the understanding of the classification of accounting activities. The findings of this research clearly show that the issue of the sacred and profane is not recognized in Islam. All the Muslim scholars we interviewed did not see accounting and accountability activities as contradictory to Islamic teachings. In addition, there is much evidence to suggest that accounting and financial reporting have long been viewed as very important components in enhancing the accountability of Islamic religious organizations.

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Appendix 1. The List of Respondents

No	Interviewees Code	Field of Expertise	Number of Interviews	Status	Institutions
1	A01	Islamic Studies	1	Scholar (PhD)	
2	A02	Islamic Studies	1	Scholar (PhD)	Islamic State University
3	A03	Islamic Studies	2	Scholar (PhD)	Ar-Raniry, Indonesia.
4	A04	Islamic Studies	1	Scholar (PhD)	
5	A05	Accountancy	1	Scholar (PhD)	International Islamic
6	A06	Accountancy	1	Scholar (PhD)	University Malaysia,
7	A07	Islamic Studies	1	Scholar (PhD)	Malaysia
8	A08	Islamic Studies	1	Scholar (PhD)	
9	A09	Islamic Studies	1	Scholar (PhD)	University of Science
10	A10	Islamic Studies	1	Scholar (PhD)	Malaysia, Malaysia
11	A11	Islamic Studies	1	Scholar (PhD)	International Institute of
12	A12	Islamic Studies	1	Scholar (PhD)	Islamic Thought and Civilization, Malaysia
13	D1	Donor (Country Director of Muslim Aid)	1		Muslim Aid
14	D2	Donor	1		Individual Donor
15	M01	Mufti (Ulama)	1		Mufti (Ulama) Malaysia
16	M02	Mufti (Director of the Indonesian Council of Ulama)	2		The Indonesian Council of Ulama, Aceh Province
17	G01	Government Officer	1		Department of Religious Affairs, Aceh-Indonesia
18	G02	Government Officer	1		Department of Religious Development, Malaysia

