REFLECTION ON ISLAMIC ACCOUNTING RESEARCH AND METHODOLOGIES

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ABSTRACT: The centrality of accounting research has been in a constant shift between normative thinking and exploring empirical practices. The reason for the shift is complex but one reason may be attributed to the disillusionment with the current normative thinking and the growing interest in exploring accounting realities from multiple branches of socio-economic life. Normative thinking is generally based on previous decade’s philosophical ideas that have not been captured in practice but which advocates on designing accounting systems that are based on specifically advocated moral philosophy. When scandals emerged as a result of accounting practices and behaviours of those entrusted with the resources, the disillusion with the advocated moral foundation leads to a shift towards exploring the reality of practices and at the same time searching for a new moral philosophy for accounting. This paper narrates how accounting researchers emerge as a ‘tribe’ that pastures within well protected territories using specifically selected political and moral stands and excluding any other alternatives, particularly Islamic normative moral philosophy. The presentation concludes by emphasizing on the needs to develop a wide range of Islamic theoretical and methodological approaches that are vital for the progress of Islamic institutions as well as the rest of macroeconomic components (markets, people and ecosystems). Based on personal ijtihad, it argues that Islamic methodology has three main components: foundations for the Islamic methodology, starting principles, and essential conceptual framework for the Islamic methodology.

Keywords: Islamic Accounting, Islamic Methodology, Accounting Research

1. INTRODUCTION

Accounting as a subject for systematic academic study and important research field had undergone significant changes since the period of 1970s, challenging the old customs of research that existed and carving new directions for future accounting research.

New theories from related fields like sociology, socio-psychology, anthropology, political history and economics were adopted as research framework or simply as inspired researchers interested in exploring accounting minor fields of research: e.g. – financial accounting, management accounting, governance and professional ethics. These interdisciplinary researchers brought information and different views challenging the hitherto dominant perspective on accounting.

The main argument is that accounting is no longer seen as technically neutral and scientifically precise. It shifted to understanding of accounting for human experience which simultaneously recognizes how history affects society and how individual actions in society made history (Abrams, 1980). It becomes more of accounting for society; accounting for poverty; accounting for capitalist hegemony, accounting for railways, accounting for micro financing, accounting for ethics, accounting for corporate governance, etc. and more recently accounting for Islamic business organisations.

Based on neo-classical economic, the traditional accounting research territories (i.e. traditional accounting journals) dominate journals such as Accounting and Business Research (ABR), British

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Accounting Review (BAR), Journal of Business, Finance & Accounting (JBFA) and other similar platforms. The emerging “new” tribe opposed the “old” (alias “traditional”) researchers of accounting – mainly because the former members failed to access traditional territories due not merely to their lack of adequate academic accounting background and/or accounting professional training but also due to different political orientation. Based on Marx and Foucault philosophical notions, the “new” non-accounting tribe consists of British labour party members or sympathisers and naturally their political opponents are members of the British Conservative Party who represents the aristocrats and the wealthy and powerful groups in society, hence are perceived as self-interested in maintaining the status quo of accounting practices and research outputs.2

From a different point of view, this turning point of the growing interest demonstrated by the intrusion of non-accounting researchers from sociology and history represents a newly emerged “tribe” that pastures in well protected territories. In particular, the main territorial pasturing island for the new non-accounting tribe is the Accounting, Organization & Society (AOS) journal which later extended to other islands such as the Critical Perspective on Accounting (CPA) and Accounting Forum (AccF).

The argument in this paper is that both the traditional/neo-classical and the new/critical researchers enjoy the power of research that are less rigorous and have easy access to such platforms for publication if you are a member of their tribe. This weakness of research methodology is compensated by implicit utilisation of their political agenda to discredit their opponents. The paper offers insights of an alternative research paradigm, the Islamic research methodology for developing Islamic accounting and finance. The reminder of the paper is organised as follows. Section 2 illustrates how the “new” accounting research developed and section 3 reflects on research methodology for Islamic accounting.

2. TENTATIVE MOVES TOWARD A NEW ACCOUNTING RESEARCH

Against the main stream accounting research, Hopwood (1983) called on researchers to study accounting in the contexts in which it operates and that alternative critical, interdisciplinary or social construction of accounting has to emerge alongside the traditional accounting research agenda. Roslender and Dillard (2003) indicate that the birthplace of the critical/interdisciplinary movement in accounting was the University of Sheffield in the UK in the 1970s, with Tony Lowe and Tony Tinker as leading key figures. The Sheffield group rejected the “normative” accounting theories that focused on income measurement, asset valuation, and the increasing application of neo-classical economic theories in accounting research. Lowe looked towards systems thinking to understand accounting practice, while Tinker’s Marxist approach was grounded in a notion of “historical materialism”.

A common theme among interdisciplinary/critical researchers is that their researches tend to lack a theoretical framework and are heavily focused on accounting and management practices.

The establishment of AOS by Anthony Hopwood in 1976, was probably the most important accounting research journal to promote this critical/social construction accounting research as a way to search for alternative paradigms to the positivist research. The journal promotes studies on the practice of accounting and its broader organizational and social impacts. Hopwood, in his capacity as the Editor of AOS, encouraged researchers from other fields to do research in accounting. However, methodologically, he is only known to permit publications based on Foucault’s work and/or Marxist’s point of view raising criticism on the intrusion of socialist Labour party agenda being brought into the academic arena at the expense of rigor in research methodologies. Another critic is that while rejecting individual autonomy and materialism, they attempted to explore ways to bring the material benefits and emancipation of Marxism to society without explicit concomitant expansion of state power and totalitarianism.

2 The emergence of the new tribe (particularly, the AOS clan) is attributed to the appointment of Margaret Thatcher as the UK PM in 1979; as anti-Tory (Conservative Party); against liberal market economy and aristocrat capitalists.
Nevertheless, both streams, i.e. the left socialist group and the neo-classical materialistic group, are similar in that they both began with disillusionment and lack of purpose in life. The socialist accounting researchers aim towards state totalitarian while neo-classical researchers utilise technological progress and material success for further consumer and imperialistic hegemony. In short, a common theme of the epistemologies of both groups of researchers is that they are prone to anarchic, pernicious, pervasive, and truth-distorting thoughts. The vision of the ideal world which would emerge based on their epistemologies is extremely restricted and inadequate. Thus, I suggest we "remember" Islam as the divine guidance of Allah (SWT), which provides the basis for a truly emancipatory meta-critique.

3. RESEARCH ON ISLAMIC ACCOUNTING

Research on Islamic accounting started with financial reporting for Islamic banks, conceptual, *a priori*, ought to, holistic framework for accounting, and most studies are influenced by the ‘history of religious control of business’ & the notion of rise in capitalism. The applicability of conventional accounting to Islamic financial institutions; its applications and economic consequences were the focus of earlier studies. For example, these studies looked into the need for separate accounting standards for Islamic banks; the rationale for a conceptual framework for financial reporting by Islamic banks; as well as the application of accounting techniques to Islamic financing; the problem of harmonization of international accounting standards in Islamic countries; Islamic accounting theory; a proposal for the formatting of Islamic corporate reports.

While Islam advocates a complete code of human conduct including business and administration, yet for politico-historical reasons Muslims have not been able to develop a specifically Islamic body of accounting theory nor institutionalizing Islamic practices within their economies due to their focus on developing large-scale, capital-intensive business activities – mainly by rich Middle Eastern countries and their shunning away from socio-economic movements that are inherently part of the political structure of Muslim countries, with partial exception of Malaysia and Indonesia. In other words, modernizing Muslim countries was based on assimilating the Western perpetuates of so-called modern secular state. Building economy in Muslim countries based on spirit of wealth accumulation with emphasis of removing any spiritual values in decision making and disregarding the distinction between good and bad, creates imperialist dominating designs on resources, societies, and knowledge itself by a handful of individuals leaving the masses in poverty and hardship. The alternative is to adopt a research methodology that is based on a balanced approach: revealed and reasoned epistemologies.

3.1. The Islamic perspective on methodology

Methodology from an Islamic perspective is founded upon the divinity of Allah, the true meanings of the role of human being and the universe. This is unlike Western accounting which is based upon atheism and secularism of Aristotle-King Philipos of Macedon that focus on the material dominance and negligence of religion. Knowledge progresses based upon facts, events and realities known to man rather than the other way around as depicted in Figure 1. It is man’s duty to concentrate on facts, events and realities surrounding his existence to comprehend and generate new knowledge because it is the latter that follows external events and proven facts and reflecting upon them.
From an Islamic perspective, the methodology interprets the phenomena based upon the principle of diligence (Ijtihad) in order to distinguish between knowledge that cannot be acquired other than through intellect reasoning (aql) and knowledge that cannot be acquired except through narration (naql) of revelation. An Islamic perspective on methodology has three main components: foundations, starting principles and essential conceptual framework (Fig. 2).

3.2. The foundations on Islamic methodology

This component in Islamic research methodology helps to move the research and the intellect (aql) forward and important concepts associated with this component include:

1. The Ends of creation and existence (Ghaiat al khalq wa alwujod) – monotheism (tawheedic) which is the principle of Oneness forms the base that intellect is founded upon. It (the intellect) acknowledges that Allah is the creator and the determinant of the ends of all creations and so the intellect deals with all creations and cosmic events with responsibility and based on the reasons that they have been created for a purpose.

2. Reality exists objectively and the mind has relative knowledge about it. Since reality is unchangeable, it is the location of human mind from reality that makes it to appear as changing. Total ignorant about specific reality gives different knowledge when the mind is closer in revealing its essence.
3. Liberty of decision, will and responsibility upon them. The main purpose of life in Islam is to test mankind’s will while they live on this earth. Thus, mankind enjoys a number of liberties necessary for practicing Islamic faith (creed) and fulfill the duties as khalafah (vicegerent):

   a) Liberty of faith – this is the central value Islam came to protect.
   b) Liberty of thought (fikr) – in Islamic methodology, liberty of thought is a degenerated complementary competent of Islamic creed because Islam liberates the mind and will of mankind but within the covenant of Tawheed and khalafah.
   c) Liberty of social responsibility – the relationship between an individual’s actions and the rest of society is organised based upon liberties of faith and thought. That means liberty of actions by individual members of society is governed by the social covenant facilitating the ends of creation and existence (Ghaiat al Khalq wa alwujod) – monotheism (tawheed).

4. Wholesome reliance upon Allah (Tawakul) – reliance upon Allah is the faith in the heart about the eminence power and wisdom of Allah (SWT). Believe in predestination, fatalism, confidence and acceptance of Allah is important part of the inquest in the research journey. Working towards achieving specific goal rather than merely being confident is essential in Islamic research methodology. Causation in human performance /action /behaviour.

5. Causality is a central concept in Muslim’s life. It is a composite part of Muslim’s creed and helps to form his or her epistemology. It is by human instinct (fitrah) and Islamic creed that Muslims become aware that Allah (SWT) empowers them to fulfil their duties and express their will throughout the causation of reasons and actions and the consequences that these actions, causes and reasons may entail. Hence, Muslims can fulfil their duties and take actions as a response to their instinct and law of causation.

3.3. The Starting Principles in Islamic Methodology

1. That Allah knows the invisible and the visible: “He is Allah, than Whom there is no other God, the knower of the Invisible and the Visible. He is the Beneficent, the Merciful.” (Surah Al-Hashr, 22:59)

2. The source of thought (Fikr) is revelation, intellect and the universe.

3. Revelation (alwahi) – the words of Allah (SWT) that are revealed in the Quran in order to clarify the nature of relationship between Allah and mankind and the ends of creation and existence (Ghaiat al Khalq wa alwujod) – monotheism (tawheed).

4. Monotheism (Al-wihdaniah). In Islam, wisdom and intellect does not exist without the belief in monotheism, as a creed by instinct. This belief requires the unity between the source and truth about the creation of the universe and nature and Islamic research must maintain this belief to acquire knowledge based upon sound logic.

5. Vicegerent (Khalijah). The honour given to mankind to be vicegerent on this earth and to utilise the universe and creations for its just benefits.

6. Moral responsibility. Being a vicegerent requires taking on more responsibilities including justice and fair dealings with others as detailed in authentic Islamic governing sources.

3.4. Essential Conceptual Framework for Islamic Methodology

Methodology in Islam is an independent scale. It is a lens used to verify the soundness of ideas. It must be independently self sufficient and does not require human intellects for its maintenance and development. However, it needs to be applied to produce knowledge (ilm) and demonstrates its soundness.
Awareness of Islamic methodology is a collective obligation (Fard kifayah). Knowledge is built upon known realities and events, unlike the materialist, where thoughts follow the will of desire as stated in the Qur’an:

“And if the Truth had followed their desires, verily the heavens and the earth and whosoever is therein had been corrupted.”

(Surah Al-Muminoon, 71:23)

Islamic methodology emphasises on Islamic soul in seeking knowledge and is not confined to only Islamic knowledge in the endeavour. The Qur’an states:

“[O man], follow not that whereof thou hast no knowledge. Lo! The hearing and the sight and the heart – of each of these it will be asked.”

(Surah Al-Isra, 36:17)

“And they denied them, though their souls acknowledged them, for spite and arrogance.”

(Surah Al-Naml, 14:27)

Islam encourages purification of the soul before acquiring knowledge (Tazkiat anafs). Furthermore, Islam requires human to acknowledge the relationship between the intellect and revelation. Intellect alone can be easily misguided without revelation. Intellect has limited capacity and there is knowledge beyond human comprehension that only the Creator has knowledge.

4. CONCLUSION

(Re)search for knowledge should be based upon clear and distinguished philosophy to be able to compete against philosophies brought by Marx, Comte and others in order to preserve the Islamic identity of knowledge inquiry. Any nation that wants to restore its present and build its future must immune its political, cultural, and social environments with its unique doctrine. Otherwise it would remain under the mandate of other nation forever including Islamic accounting knowledge.

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3 Knowledge is built upon known reality. That means external reality and activities are central pole and human internal intellect is the engine of activities rotating around the pole for improvement – hence sound intellectual methodology is essential for controlling and balancing the relationship between human and external reality.
REFERENCES

