Chapter – 3
Review of Literature

3.1 Backdrop

Abdel-Majid (1981), clarified the fundamental comprehension of “Islamic Accounting and financing” standards, its goals and consistence with “Islamic law”. The primary significant paper in an English-dialect diary, talks about the Islamic Shariah framework, displays a scope of Shariah - consistent saving money exchanges, and declares that the requirement for particular system for these exchanges. Generally speaking, the feeling of “Islamic Accounting and financing” should be unique in relation to “Conventional Accounting and financing”.

Khan (1994) additionally contends that the data needs of an Islamic culture are very unique in relation to those of an entrepreneur society, by giving a structure to Islamic system in light of the exclusive hypothesis.


Inclines in “Islamic system research” (“Mirza and Baydoun, 1999; Kuran, 2004; Kamla et al., 2006; Kamla, 2009”). For example, “Kamla (2009)” discovers signs that “Islamic system” examination is redirecting from its essentially announced “social and moral” roles. The writing gives an investigate of the restricted extent of “Islamic banking and accounting” practices and research. It pinpoints the "fixation on specialized and instrumental matters identified with the prohibition of interest and Zakah counts".

3.2 Islamic System and Cultural Paradigm

“Mueller (1968)”, in his second characterization contends that distinctive business situations require diverse accounting frameworks and the nearest he gets to “Islamic” nations
is the reference to one gathering spoke to "the creating countries of the Near and Far East" which may require institutionalized bookkeeping frameworks. This thought has over and over been introduced by the cutting edge writing as “Islam” is seen unique in relation to Occident, so it must have its own particular “accounting framework (Gambling and Karim, 1986)”.

The fundamental comprehension of “Islamic Accounting standards”, its targets and consistence with “Islamic law”. “Abdel-Majid (1981)”, the primary real manuscript in an “English-dialect” diary, talks about the Islamic Shariah framework, exhibits a scope of Shariah - agreeable saving money exchanges, and declares that there is a requirement for particular Accounting practices for these exchanges. Generally, there is a feeling that “Islamic system” should be unique in relation to “Western system”.

Khan (1994) likewise contends that the data needs of an “Islamic culture” are very unique in relation to those of an entrepreneur society, by giving a system to Islamic accounting in view of the restrictive hypothesis.

However, Wardi, (2005) announced in the review on advancement of IFIs as the improvement of Islamic monetary foundations was the one that contributed essentially to the development of a current writing on Islamic system. To this has included likewise the advancement of very much supported colleges in Muslim nations, for example, the “International Islamic University of Malaysia (IIUM)”, having a huge gathering of bookkeeping researchers with an immeasurable enthusiasm for the advance of the Islamic system literature in the current years. Also, the commitments of the “Muslim and non-Muslim” researchers working inside Western colleges have turned out to be extensive - since in the most recent decades, in a journey for better satisfying the requirements of speculators, regardless of their condition of birthplace or religion, the “Great Britain and United States” wound up noticeably working communities for Islamic financial organizations and research organizations, without preventing the part from claiming “Malaysia and Indonesia” in advancing “Islamic system” universally. By and large, contemporary “Islamic finance, banking and accounting” have been portrayed as a fascinating other option to traditional or "capitalist accounting”; while associations and Western governments bolster the modern “Islamic banking sector”.

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3.3 Islamic Principles and the Approach

Islam actually implies peace, acquiescence to Allah in this world and from this point forward. Shariah is the far reaching assemblage of “Islamic laws”, chiefly amassed in: “Quran, and Sunnah; the acts and idioms of the Prophet Muhammad, as transmitted through customs known as Hadith”; and two reciprocal sources “Ijtihad/ijma; shuratic and consensus” process.

“Gambling and Karim, (1991:32)” concentrated that the system needs to do with impression of “social equity” as indicated by Quran riches ought not be gathered in the hands of a couple of people. This prompts the thought of the reasonable dispersion of riches through “Zakat one of the Five Pillars of Islam”, is the giving of a little rate of one's belonging to philanthropy. The “Muslims” have the obligation to gather “Zakat” and to decently circulate it.

Chapra, (1992) finds the all-encompassing way to deal with life impacts financial matters thus the Islamic monetary frameworks ought to be seen from such a point of view.

Kampla et al., (2006) finds these principles speak to rules gave to all parts of daily life of humankind including business, administration and fund. Accordingly, Islam suggests a progression of rule that can basically be resumed as:

- “Unity of God (Tawheed)”; an extensive perspective, an incorporation amongst world and Islamic standards (truth, equity, reasonable, goodwill, trustworthiness, kindheartedness, responsibility before God); the solidarity and fairness of every one of God(Allah's) manifestations in the love of God(Allah) and their equity as accomplices regarding admiration and thankfulness towards the presence of all and the interconnectedness between all.

- Community standards. Concurring Al-Gazzali a famous Muslim rationalist of “the XIth century” (cited in various creators including “Ibrahim, 2000:62)”, the motivation behind Shariah is "to advance the welfare of the general population, which lies in shielding their confidence, their life, their mind, their flourishing and their riches".

- Lewis, (2001:110) finds the Trusteeship suggests that individuals are given an extraordinary part in connection to nature. The individual is named a trustee (steward) or Khalifah that won't mishandle individuals for individual interests however will keep up the adjust, spreading equity, truth and righteousness.
In financial terms, these standards need to do with social obligation and open responsibility guaranteeing the group with the way that the substance is consistently working inside the financial limits of the Islamic Shariah.

- Tinker, (2004) underpins the significance of information (ilm), particularly self-learning is association with the thought of building up an economical group, by advancing improvements of the astuteness, insight and learning.

- “Kampla et al., (2006:254)” finds the comprehensive way to deal with life needs to do with the more extensive condition, Islam being worried to secure the earth and keep up the harmony between the material and otherworldly needs of every single individual. This rule has the most clear relationship to economical improvement, underscoring the cynicism of waste, over the top lavishness (israf), unnecessary consumerism and obvious utilization.

### 3.4 Application to accounting and financing

As to use of the Islamic standards to accounting and financing, Hayashi, (1989) announced that there is a “general and old conviction” that, as indicated by “Quran”, Allah governs over “business and finance”. “Islamic system” is viewed as "an incorporated discipline with social, political and monetary area led by Allah. Islamic system ought to manage and set up an amicable combination among the gatherings of this various space”.

“Gambling and Karim, (1991:50)” studied that one of the early foundations to direct the market and anticipate misrepresentation was “Al-Hisba” set up in 7th and 8th centuries of years for the "advancement of good and the aversion of malevolence". Among the “unlawful (haram)” business hones in Islam, there is “riba (interest)”, control, extortion, theoretical exchanges, betting, vulnerability/risks, free market obstruction.

“Baydoun and Willett, (2000)” investigate the substance of “Islamic corporate reports” proposing that a present esteem included articulation ought to likewise be a piece of Islamic corporate reports keeping in mind the end goal to give more noteworthy attention to the social effect of organization's exercises.

“Sulaiman (2000)” underpins the utilization of both “current value balance sheet and value added statements” as a major aspect of Islamic business endeavors' corporate reports.
“Baydoun and Willett, (2000)”; Haniffa and Hudaib, (2001) clarified the principle contrasts amongst ordinary and Islamic bookkeeping need to do with the accompanying:

a) General monetary angles, for example,

- “Secular” in opposition to “Religious”;
- Economic realism against “Unity of God”;
- “Individualism” opposed to “Cooperation”;
- “Profit amplification” rationale against sensible benefit;

b) Specific accounting issues like:

- “Conservatism”: Apply prudent valuation method and abstain from utilizing the greatest effect on proprietors against most favorable to group;
- “Going concern”: “Business goes everlasting” against legally binding understanding between gatherings;
- “Measuring unit”: Money related esteem versus amount and financial based (as indicated by Zakat estimation);
- “Consistency” in view of the benchmarks/controls used by the entity against “consistency with Islamic law”;
- “Materiality”: basic leadership helpfulness as opposed to satisfying all obligations before Allah;
- Users of financial statements: recognizing financial occasions and exchanges as opposed to distinguishing financial and religious occasions and exchanges.

Lewis, (2001) is expected to give full revelation and social responsibility keeping in mind the end goal to fulfill any sensible instructive request as per Shariah. In “Islam”, the bookkeeper (“Muhtasib”) was designated to guarantee equity in the public eye by methods for the exchanges available and brokers conduct coordinating the Shariah conditions (“Gambling and Karim, 1991”); this remaining the model for present day “Islamic bookkeeper”; the prime commitment is towards community (Ummah).

Truth be told, the “two issues” that impact significantly the advancement of “Islamic system” are “riba and Zakat” (“Sulaiman, 2003, Iqbal, 2002”). The “impact of riba on Islamic system” lies in the value structure of a substance and its impact on this present element's
divulgence hones. Then again, Zakat impacts the “measurement (valuation)” strategies. In regard to the parallel amongst customary and “Islamic system”, several writers endeavored such correlation by and large or for particular guidelines.

Also, “Razik, (2009)” consider that Islamic system and “IFRS” contrast in five issues that are identified with lease, limited contract, and claim to fame speculation account (where the financial specialists bear some portion of the business hazard), related gathering exchanges.

3.5 Ethics in accounting and financing

The idea that people are responsible to God for their activities and oversights is a focal fundamental of Islam. To elucidate this,

The term “Hisab(account)” appear more than eighty times in various verses of the “Quran”. Judgment in “Askary and Clarke (1997)” review words identified with bookkeeping that are specified in the “Quran”. The Hereafter is depicted regarding measuring one's “good and evil deeds” in a balance, with the great and underhandedness activities being recorded.

The subject of responsibility to “Allah(God)” is sought after further by “Alam (1998)”, and especially by “Lewis (2001)”, who talks about two essential moral ideas for Islamic system: Allah's outright ownership for assets and humankind's part as Allah's illustrative (“khalifa”) on earth, conceded “stewardship” of Allah's ownership. These ideas bolster the up to date thought of supportability.

The study by “Murtuza (2002)” addresses how “financial accountability and social equity” can be accomplished by holding fast to the Shariah standards. He examined the nature and parts of riba, Zakat and hisba (the system whereby the positive requisites and the forbiddances of “Sharia” are authorized) and their present-day significance to social duty.

“Haniffa, Hudaib and Mirza (2002)”, presents the Islamic idea of agreements (“uqud, sing. Aqd”) and examines the “standards of Sharia” ought to manage bookkeeping and reporting arrangements for “Muslim” bookkeepers. Legally binding connections in Islam ought to consider the religious commitments beyond one's own particular self, which thus may impact and compel decisions in event. The significance of agreements is stressed in the “Quran” with one section, Surah “Al-Maidah” given to clarifying the different sorts of agreements, pledges and understandings in life and how these commitments are to be satisfied.
Thusly, it is reasoned that Arab nations thought about “Hofstede's” review demonstrate a lesser resilience to vulnerability and dangers, superior sense of duty regarding group – both perceptions being as per the key discoveries on Islamic standards.

3.6 Ethics & Utilitarianism

“Ethics” have been characterized the same as "the branch of logic that investigates the way of good prudence and (which) assesses human activities”

Akhlaq is a branch of the Shariah. As cited (Naqvi, 1981; AlHabshi, 1987) as they expressed that the goal of the Shariah (counting morals) pronounced through “Ghazali and IbnulQayyim Al Jawziah” though the "shrewdness and prosperity of the general population" (“Chapra, 1992”). Shariah itself resulting from the “Qur'an and the Sunnah of the Prophet (pbuh)” as well as is the premise of “Islamic morals”. Traditional monetary framework emphasizes “conventional accounting” have some moral issues such as (i) presumption of own interest and keen customary financial plan notwithstanding the way that man can and is benevolent once in a while, (ii) usefulness is restricted to substance products and enterprises found in the calculation of “GDP”, (iii) Cost instruments do not prompt “distributive” value, and (iv) Support of substance utilization towards increase “aggregate demand” along with goad financial development possibly will prompt negative social and natural results overlooked in ordinary monetary hypothesis. To put it plainly, ordinary financial aspects can be named as esteem and morals free on the subject of generation and conveyance of assets, which is the fundamental protest from the Islamic perspective.

Friedmann (1982) has contended that the main occupation of trade is making benefits the length of it remains inside the guidelines of the amusement; there is an inexorably vocal protest to the flippant business as scholarly contentions, the developing energy of the moral purchaser and the expanding improvement of moral specifier developments. Familiar maxims, for example, "business and morals don't blend" and "the matter of business will be business" are progressively being addressed.

Mintzberg, (1983) &Drucker, (1981) proposed the morals as these proverbs comprise "Myth of the Amoral Business undertaking" with firmly discredited by “DE George (1990)” who contends to trade movement is an individual action which includes morals plus even industry expect moral conduct from other representatives, clients along with providers keeping within mind the end goal to work legitimately. In spite of these contentions, however
traditional financial aspects and ordinary bookkeeping profess to be sans esteem and accept that the realist monetary man is out to fulfill his voracity.

DeGeorge, (1990, p 40) revealed from a Western viewpoint, in spite of the fact that there are numerous moral frameworks, the two primary ways to deal with moral hypothesis be the “teleological and the deontological” approach. “The teleological” way to deal with morals takes the vision that "whether an activity is correct or wrong relies on upon the results of the activity". Utilitarianism is the principle type of teleological morals unequivocally spoken to in Western culture and of specific interest in business morals.

DeGeorge, (1990, p43) proposed as "Utilitarianism is a moral hypothesis that holds that an activity is correct, on the off chance that it delivers, or tends to create, the best measure of useful for the best number of individuals influenced by the activity. Generally the activity isn't right".

“Utilitarianism” as originate by “Jeremy Bentham (1748-1832)”, utilizes libertine analytics similar to bookkeeping. As bookkeeping utilizes “cost and benefit” study towards make a gainful decision, “utilitarianism” endeavors towards quantify joy and agony related among an activity en route for deciding its profound quality; an activity which prompts the minimum torment or the best delight is an ethical activity. Indeed, traditional system created from negligibility neo-established financial aspects, which utilizes utility examination in choosing what, ought to be “produced and consumed”.

“Utilitarianism” have been reprimanded because notable record for equity. The "utilitarian” computation can here and there result in injustice.

As per “DeGeorge (1990) utilitarianism brings about saying that to do what is clearly low is the ethically right thing to do”. Thus, these outcomes during the end that “utilitarianism” can't be a precise record of ethical quality, nor would it be able to be a suitable approach to make moral judgments.

Despite the fact that De George (1990) contends that practically speaking together “deontologists and utilitarian” concur lying on activities be only issue inside industry, the epicurean analytics instigates along with a surrogate to joy i.e. benefit. It ignores matters of equity meant for “utilitarianism” cases. The complaint against “utilitarianism” is that the conceding of equity and privileges to individuals do not rely on upon the results of an activity. Further, giving individuals expectation and merit possibly will not be the preeminent
utilization of assets. Subsequently, “utilitarianism”, even if engaging, must be utilized precisely to assess profound quality of activities.

“George (1990) states”: "The Judeo-Christian custom has supported the ethical quality of the West for a considerable length of time and of our nation (USA) since its commencement. It is as yet a to a great degree intense force.... these ethical guidelines ...and their qualities have, to a vast degree, been assimilated into the common existence of the West by and large".

Kant (1990, p 63) detailed the thought of the "clear cut goal" as the most astounding good guideline to legitimize Christian morals. The downright basic views an activity as good in the event that it can be changed over to an all-inclusive “law-a rationalistic” description of the scriptural rule "do unto others what you would have others do unto you". The “second condition” is with the intention is must befit the value and good self-rule of people in the event that it is to be viewed as good.

As indicated by “Kant”, Individuals ought not to be dealt with as means but rather closes in themselves. This approach concentrates on the obligation of people and associations to others. What is implied by obligation represents an issue. In the event that lone acting from obligation is moral (rather than self-intrigue), then this implies the aim of the specialist must be considered. In Islamic morals, goal is fundamental for a good/moral activity, however great expectations don't make an untrustworthy demonstration moral. For instance, in Islam, a business, which has the great goal of giving work to the nearby group, can't “set up a whisky refinery”.

The prior “de-ontological morals” depended on “religion” and can be alluded to as philosophical morals. It depended on the acknowledgment of celestial disclosure of the “Bible”. A comparative position is taken by Islam which guarantees the “Qur'an as the last disclosure and Prophet Muhammad as the last Prophet”. The Qur'an has been translated by the “Prophet through the Hadith”, which is additionally taken as perfect disclosure (or rather the article of disclosure) in spite of the fact that it is not accepted by “Muslims to be the immediate expressions of God”.

Nonetheless, new conditions warrant new translations of both the “Qur'an and the Hadith” which are attempted by the “ulemas or religious” researchers. The expert of their conclusions relies on upon the notoriety and devotion of the researcher. Consensus of a majority of the “ulemas” or of the general population all in all is likewise looked for.
“DeGeorge (1990)” highlights two issues with religious morals; legitimization of good values to non-devotees and the charge of absolutism. The first is valid for “Islamic morals” and in addition Christian morals. Notwithstanding, since the quantity of Muslims is adequate to shape their very own different market with a financial framework that can speak with however stay isolate from the western free enterprise framework, the topic of supporting Islamic morals to non-Muslims may not emerge, despite the fact that globalization may display a few issues. What this examination endeavors to do is to investigate the possibility of an accounting and financing which is predictable with the “Islamic financial framework”.

“White, (1993, p 1)”, concentrates the morals and it is the arrangement of good standards on which activities are assessed as right or off-base. The terms ethics and morals are at some point utilized reciprocally and in this examination, they are thought to be synonymous. Business morals is morals, which restrains its edge of reference to business or associations.

It is valid, Islamic morals in light of perfect disclosure is tyrant yet this does not block it from being sound nor is it self-assertive. The Qur'an more often than not gives purposes behind its preclusions and obligations as a rule. As indication is energized by the “Quran”, the researchers have dependably considered the purposes behind a charge or a restriction, notwithstanding when the “Quran” neglects to give reasons. Subsequently, a “deontological” way to deal with morals in light of disclosure could likewise be balanced, as is Islamic morals.

3.7 The Islamic Economic Paradigm

“Khan, (1985)” highlighted in his examination that a definitive target of Islamic Economics (and along these lines Islamic system) is to “lead man to falah”, i.e. prosperity or accomplishment in this world and the great beyond. Islamic system ought to comparably give information to encourage this financial procedure which will encourage the working of the Islamic monetary framework. The “Quranic idea of falah”, (which happens in more than 40 verses), is viewed as a multi-dimensional idea which has suggestions for both individual and aggregate conduct i.e. at small scale and macroeconomic levels.

From the microeconomic perspective, Ghana includes natural (wellbeing), financial (i.e. methods for business), social (fraternity and congruous between connections) and political survival (opportunity and interest in issues of the state). Its macroeconomic
ramifications are a solid domain and restorative guide for all, full business, inward social attachment and freedom and self-assurance. The idea of Ghana implies that nobody ought to live in miserable destitution additionally accept confidence and work as opposed to parasitic inaction. Its macroeconomic ramifications incorporate evenhanded conveyance of assets and intergenerational value.

The idea of 'Izz means dignity, common freedoms, security of respect and life for the individual; and financial power, opportunity from obligations and military energy to shield flexibility and to implement equity, for the group.

“Khan (1985)” has ordered the conditions which prompt falah, from a scrutiny of the verses in the Qur'an, into profound, monetary, social and political components. The financial conditions are said to be:

1. **“Infaq”:** to spend in the method for God on poor people, penniless, relations, neighbors and for the financial help of the group. Infaq is not limited to philanthropy but rather incorporates use all alone family. The Qur'an educates devotees to spend what is abundance to their prerequisites. Islam perceives a privilege of the poor in the abundance of the rich (“Al-Qur'an 70:24 and 51:19”). The necessary piece of “infaq is Zakat or the Islamic religious duty”. As indicated by “Khan (1985)” infaq expect certain qualities of man i.e. satisfaction and reception of straightforward life. He attests that infaq would not be conceivable if these characteristics are absent as needs increase rapidly if there is no satisfaction.

   The financial ramifications of infaq incorporates the gathering and dispersion of Zakat and other Islamic charges, for example, kharaj and the significance of the willful area in Islam spoken to by” Endowments (Waqf)” and different philanthropies.

2. **Ban on “riba (interest)”**. Khan takes note of that riba is an unpretentious establishment which is exploitative and unjust. The Prophet (pbuh) took many measures to guarantee that riba, regardless of whether verifiable or express, did not re-show up in another clothing by restricting buyer and business interest based credit, unequal trade and certain agreements of land-residency which gave a clear share to just a single gathering. Khan properly watches that the street to falah will stay obstructed until riba is totally killed. The financial ramifications of this is the substitution of pre-decided settled return financing instruments with benefit sharing
and hazard bearing instruments. These have real ramifications for speculation, “accounting and monitoring”.

3. “Satisfaction of Covenants (Contracts) and Trusts”. Respecting responsibilities and satisfying contracts is a condition for the accomplishment of “falah (Al-Qur'an, 23:8)”. A few mediators of the Qur'an attest this likewise suggests the satisfaction of the certain pledge (or the primordial agreement implied in the Qur'an) of meeting one's social and religious commitments to God, oneself, family, neighbors, the ummah (group of devotees), humanity and different animals. This commitment fills in as a reason for the responsibility commence of Islamic system.

4. “Avoiding Zulm (Injustice, misuse and usurpation of others' rights)”. A culprit of Zulm can't accomplish “falah (Al-Qur'an, 6:21, 6:135, 12:23, and 28:37)”. Utilizing unlawful methods for procuring riches (as indicated by Islam) infers usurping the privileges of others and will prompt far reaching disparities, debilitated motivating forces and social waste. The financial ramifications incorporate the evasion of uncertainty (“ghrarar”) contracts, data asymmetry and the counteractive action of storing and decency system.

5. “Looking for God's abundance”: The believer is relied upon to show endeavor and push to accomplish falah. A parasitic presence, inerterness and beggary are precluded in Islam unless because of physical or mental handicap. The financial ramifications are the respect of work and the protecting of work rights, income from work and reasonable wage hones.

6. “Shirking of Niggardliness”: Withholding assets from society even from spending on oneself and one's family denies the group of God's abundance. In the monetary sense, this prompts low aggregate demand and a level of work. Authorizations are forced on such tightfisted practices. For instance, Zakat is payable on sit still riches (“cash kept at home, in the bank or in shares and stocks”) and idle land can be taken away by the state from the proprietor and given to some person who can use it. Just with liberality and relinquish instead of niggardliness and self-centeredness, would one be able to accomplish falah.

All the over five components of falah can be believed to include accounting and tax assessment. Consequently falah can be taken to be extreme target of Islamic system too yet a
more transitional idea and goal is expected to operationalize Islamic system. This halfway goal might be served by the idea of "Islamic Accountability".

Islamic financial aspects offer an option worldview to ordinary financial matters (Presley and Sessions, 1994). It is a moral construct framework situated in light of the standards and principles contained in the “Qur'an and Sunnah (Al-Habshi, 1987)”. The Islamic financial worldview is gotten from the Qur'an and not traditional neo-established financial aspects. This worldview is put compactly by Professor “Nejatullah Siddiqi” as takes after:

Siddiqi, (1988, p166), announced in his reviews that the universe of nature is there for man to make a living out of it, promising adequacy for every person. Man needs to guarantee this through his endeavors for which he has opportunity of possession and undertaking (i.e. business). Justice, must, in any case, be guaranteed, if important, through law, Co-operation and kindheartedness as opposed to egotism and insatiability ought to be the standard in financial issues. Allah (S.W.T.) being its genuine proprietor, property must be taken care of as a trust and all monetary movement led in the system of trusteeship. Neediness is an experimental reality; subsequently the rich must surrender a piece of what they have to the less wealthy. Exchange is legitimate, yet “riba (interest)” is restricted. Waste is wicked and it is basic to streamline and be adequate. Common riches ought to be dealt with as a way to a decent typical life prompting interminable ecstasy, as opposed to an end in itself... the proverb being, “uses the assets given by Allah, including your own particular capacities, to live and help other people carry on with an all around provisioned life helpful for good greatness”.

From the point of view of Islamic financial aspects, in this manner, the idea of "Khilafah" or “vicegerancy of man”, expect that God has sufficiently given assets to humanity. Consequently, any shortage is not supreme but rather in respect to the cases on those assets.

Chapra1992 contends that: "The assets with which God has endowed this world are not boundless. They are adequate to cook for the prosperity of all, if utilized effectively and equitably". The man ought to recall that in spite of the fact that, he has the flexibility to pick between option employments of the assets, he is by all account not the only vicegerent on earth. There are a huge number of vicegerents like him. In this way, the effective and impartial use of the God offered assets to accomplish the prosperity (“falih”) of all is just
conceivable if assets are utilized with an awareness of other's expectations and imperative controlled by the Divine Guidance and the goal (“maqasid”) of the Shariah.

3.8 Islamic Accountability

Since the goal of “Muslims and the Islamic financial framework” is to accomplish “falih”, Islamic organizations and Muslim businesspeople ought to so direct their business movement to accomplish this ‘falih’, as business action is a piece of human action and can't be isolated from other day by day exercises.

Gray et al., (1996) & Chen, (1975) have considered, choice helpfulness of traditional system is currently utilized, thought that it was inadmissible for the reasons for Islamic system, the analyst won't think of it as further as a goal of Islamic system. Rather, the researcher proposes "Islamic responsibility" as the idea, which can help operationalize ‘falih’ in the financial field. This is an augmentation of the idea of responsibility and essential stewardship created in the conventional accounting literature.

Beekun, (1997) has laid guideline in his reviews that the standards of benefit and riches boost and the unremitting worry with shareholder esteem, on which industrialist organizations are based, are flawed from an Islamic structure. This is particularly along these lines, since Islam has far reaching moral standards for business. Accounting ought to bolster this movement by giving data to accomplish “falih”.

Since accounting can't accomplish “falih” specifically however just by coordinating client conduct towards exercises (for the most part in the monetary field) which will lead them to accomplish “falih”, there should be a mediating variable, particularly identified with accounting and financing, which Islamic system depends on.

3.9 Stewardship

“Chen (1975)” attests to facilitate the idea of “stewardship” emerged from the religious, essentially “Christian’, lessons to facilitate “man is a steward of God” in favor of his assets.(an idea much the same as the Islamic idea of “Khilafah (vicegerancy)” and “Amanah (trusteeship)”). “Stewardship” is said to emerge in connection to “property rights”, i.e. privilege to possess and utilize belongings. “Man as God's steward” owes a duty to utilize the property successfully not just for own sake (which Chen characterizes as optional “stewardship” work) additionally has a social obligation regarding others around him (the
essential stewardship work). This idea later created in the” medieval and manorial variants of stewardship”, where assets particularly lands were given to the serfs to oversee for the landowner's sake. Here, the serf was in charge of the 'optional stewardship capacity' of dealing with the land for the proprietor, though the landowner needed to deal with the essential “stewardship” capacity of obligation to the group.

She infers that both types of “stewardship” must be perceived i.e. the essential “stewardship” to society and the auxiliary money related “stewardship” to the proprietors. She proposes that a double bookkeeping framework wants be created and directed through calling, which ought to give rules to gauge, account and review, both “monetary and social data” in different reports, a “financial accounting” representing the proprietors and a “social record” to address the issues of the public.

Acknowledgment of a communal duty, the assignment of it as the essential “stewardship” work and the transfer of the monetary “stewardship” work as auxiliary is totally perfect, with the Islamic viewpoint of leaning toward the “social over the self”. Be that as it may, Chen's proposal of having two separate records can't be acknowledged in light of the fact that:

- The proprietors are a piece of civilization, and as “Muslims”. their “falah” and society are both worries of Islam and Islamic system. The proprietor, particularly a morally determined Muslim proprietor, would be intrigued to ensure that the business exercises are not just directed inside the letter of the Shariah however inside its soul additionally in this way guaranteeing ‘ihsan ‘(value and generosity).

- Further, it is hard to isolate the “economic and financial” ramifications and impacts of the trade from the community ones e.g. scaling back may build here and now benefits yet make unemployment for the nearby group. Announcing this independently, would infer, the proprietors couldn't care less for the social effect of their exercises and must be compelled to act in the social enthusiasm through enactment probably achieved by open response to the social report.

Encourage, stewardship appears to be excessively oversimplified an idea in the period of multinational organizations and different elements which utilize huge group assets and resources. It would infer that these enterprises are freely responsible for their activities (“ASSC, 1975; Gray et al., 1991”). Henceforth, while the recommendation by “Chen” to perceive “social stewardship” is acknowledged, her proposal to do a
double revealing is not esteemed satisfactory from an “Islamic perspective”. Henceforth, “Islamic system” must be comprehensive and coordinated for both types of “stewardship”.

3.10 GAAP Analysis

Most of the researchers emphasized on welfare of society and the community as a whole. Many researches were undertaken on accounting system and its comparison with conventional accounting. A few researches have also been done on the ethical part of the accounting system. Many researchers have been done on the Islamic paradigm not only by researchers from Islamic countries but also from non-Islamic countries as well. Much research has been done on Islamic accountability and stewardship.

But no research has been made on the reasons for opting Islamic banking v-s-a-vis conventional banking system. To be specific, the researcher found no relevant literature on the major drivers for opting Islamic banking vis-a-vis conventional banking system. The factors (drivers) which are studied in this research are the result of year’s experience of the researcher in studying, research and teaching in Islamic banking. Besides, there was no such work on investigating the various modes of Islamic financing.

Previous studies were found wanting in providing any relationship or association between the demographic factors like – domicile, age, qualification, education, occupation, and the motives for opting Islamic banking v-s-a-vis conventional banking system.

The present study is an attempt to identify and analyze the major drivers for opting Islamic banking v-s-a-vis conventional banking system on various facets of demography. The study also includes the effective mode of Islamic financing which was not studied earlier in a large scale.

The best part of the research is that it is undertaken in a non-Islamic country like India in spite of the fact that it is the country with one of the largest Muslim population in the world.

3.11 Conclusions

The attributes of the Islamic social worldview – particularly the lower resilience to instability and dangers and the higher sense of duty regarding group - appear to practice a critical impact on the plan of Islamic system.
Be that as it may, the nature, abundancy and transmission channels of such an impact ought to be additionally examined in more noteworthy detail, since it would seem that assorted qualities of circumstances and a few different factors may meddle in the chain of causality.

Among these factors, the improvement level of the financial sector’s components - financing and capital markets - assumes a critical part. Positively, there are a few points of confinement. Among these, one can see: 1) The nonappearance of a formal organized system for clarifying the differencing instruments; 2) The nonattendance of an exact model ready to give an estimation of the effect practiced by monetary and non-financial illustrative factors, (for example, the sort of political structures, the transcendence of Islamic populace, the standardized adherence to Islamic perspectives and convictions et cetera); 3) The utilization of “Hofstede's” social measurements which has been scrutinized for their Western worldview center versus the utilization of more broad methodologies.

REFERENCES


