

# ISLAMIZATION OF ACCOUNTING

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## Abstrak

Akuntansi merupakan ilmu sosial yang sangat dipengaruhi oleh perilaku manusia dan perkembangannya sangat dipengaruhi oleh pandangan Barat yang mementingkan aspek sekuler. Oleh karena itu, akuntansi tidak dapat terhindar dari proses islamisasi yang bertujuan untuk mengembalikan peran akuntansi dalam mencapai tujuan sosial ekonomis melalui jalan yang sesuai dengan Al Qur'an dan As Sunnah. Artikel ini berusaha memberikan penjelasan tentang islamisasi akuntansi tersebut. Terdapat beberapa cara untuk mengislamkan akuntansi. Berdasar telaah literature, terdapat tiga cara untuk mengislamkan akuntansi yaitu dengan menggunakan pendekatan pragmatis, pendekatan konstruktif dan pendekatan campuran. Lebih lanjut, artikel ini mencoba memberikan usulan pendekatan untuk mengislamkan akuntansi, yaitu dengan menggunakan pendekatan rencana kerja strategis.

Keywords: Islamic accounting, Islamisation of accounting, islamisation of knowledge

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## **1. INTRODUCTION**

Islamization of knowledge is a process converting all disciplines religious basis knowledge which referring to Al Qur'an and As Sunnah. It takes several steps such as impress that Allah is the source of all knowledge, stress Allah attributes and His favors to man, link the present knowledge with the basic tenets of Islam, acknowledge always man's amanah and his accountability, motivate learners to model themselves on our Beloved Nabi, inculcate Islamic values, morals, and attributes in learners, zero in on the importance of Shari'ah in man's relationship with society, asses Islamically all acquired knowledge before accepting it, train and tutor the learners' spiritual development, integrate into knowledge relevant references from Qur'an & Sunnah, obey Allah's will and contemplate His Rahmah and finally notice how the needs of man can be fulfilled by Islam.

Since accounting as one modern discipline is a social science concerned with human behaviors, it cannot escape the process of Islamization by claiming be technical, neutral and value-free discipline (Shahul, 2001). And this article tries to analyze the method through which accounting can be Islamized. This article proceed with the explanation about Islamization of knowledge as general, Islamization of accounting, the existing method through which accounting can be Islamized and finally the writer will try to develop her own method through which accounting can be Islamized.

## **2. ISLAMIZATION OF KNOWLEDGE**

Islamization of knowledge is a perennial problem, which is long lasting and continuing for a long time. As defined by Abu Sulayman (1989), Islamization of knowledge is a critical examination modern discipline in the light of the vision of Islam and the recasting of them under categories consistent with that vision. Kazi (1982) also defines it as an effort to assimilate the knowledge in an Islamic framework with a view to use the knowledge for the greater good of society. It is an attempt to understand and perhaps adopt all that is good in knowledge by integrating it with traditional Islamic knowledge.

The aim and the duty of Islamization of knowledge is not " to destroy" Western civilization and build on its debris but attempt to save it by guiding it along the correct path. It is due to of our responsibility as a *khairul ummah*, who must bring goodness and

peacefulness in this world. Nevertheless, it doesn't mean that we just accept Western Civilization without filtering it based on *Al-Quran*, *As-Sunnah* and *Ijtihad*.

The need to Islamize knowledge arises from the fact that "miseducation" is being provided by western-oriented educational order. The existing education in most countries, even in Moslem countries has its roots in the colonial system. Additionally, an educational system that is not rooted in the ideals, values, faith, culture, and tradition of Islam, becomes a force for disintegration and a recipe for disaster (Ahmed, 1995). Moreover, some scholars argued that the need to Islamize knowledge is also caused by the misusing of knowledge. There is nothing wrong with modern knowledge but it is simply misused (Fazlur Rahman, 1993). It is not knowledge that make it good or bad but the application. So, Islamization of knowledge is used to bring the human, who apply the knowledge, back to the Islamic virtues and norms. And finally, the miseducation and misusing of knowledge, which cause crisis on the Moslems mind and thought and also cause malaise of Moslem ummah, show that it is a need to Islamize accounting.

There are several ways to Islamize knowledge. Syafaat (1985) said that Islamization of knowledge can be started with *balagh*, declaration of essential truth which can be done by *ullama haq*. More comprehensively, some scholars have proposed their opinions about the methodologies of Islamization of Knowledge. I.e. Al Faruqi (1988) with his Strategic Work Plan, Abu Sulayman with his Step Approach-The Three, Al Khalil with his Two Process Approaches and Al Ahwani with his Islamization of Knowledge through discourse. And in this presentation report, we use Al Faruqi's Strategic Work Plan to propose a method through which accounting can be Islamized.

### **3. ISLAMIZATION OF ACCOUNTING**

Islamization of accounting from western's point of view is a part of the interdisciplinary project in accounting. (Roslender & Billard, 1999). It involves an extension or modification of the critical accounting subproject of interdisciplinary project since the previous project in the western mould, with the capitalist way of thinking. While according to Shahul (2001), since accounting is a social science concerned with human behaviors, accounting cannot escape the process of islamization by claiming be technical

neutral and value free discipline as claim by professional accountants. Islamic accounting is a discipline which will arise as a process of Islamization the conventional accounting. There are several approaches that have been identified through which accounting can be islamized. The approaches are constructive approach, pragmatic approach and hybrid approach.

### **3.1 Constructive Approach**

The first approach is a deduction from Islamic Teaching which is called normative approach or constructive approach. This approach uses the proponent of “what ought to be”. It involves deducing the objectives of financial reporting, the postulates of accounting and the definition of accounting concepts from Shari’ah principles and then constitutes the foundation for a structural framework, which would act as a reference for the development of principles of accounting, (Shahul, 2000a). Therefore in analyzing the IAS framework for the preparation and presentation of financial statement for instance basic concepts of going concern, stability of the purchasing power of the monetary unit and conservatism are not suitable to Islam. The concepts of decision usefulness of accounting information such as relevance and reliability are immediately embraced into Islamic accounting by AAOIFI. According to AAOIFI (1996), through constructive approach, it establishes objectives or concepts based on the principles of Islam and its teaching and considers these objectives in relation to contemporary thoughts. This approach minimizes the influence of secular contemporary accounting thought on the objectives of Islamic Accounting (Karim, 1995).

### **3.2 Pragmatic Approach**

The second approach is pragmatic approach. It is a contemporary accounting based approach or empirical inductive approach. This approach uses the proponent “what is”. It adopts the objectives of western financial accounting currently available that are appropriate for Islamic business organization and excludes any objectives violating shari’ah percepts, (Karim, 1995). According to Abdegader (1994), this approach is in line with Islamic Judicial Principles of *Ibaha*. Based on Ahmad and Hamad (1992) most of Islamic banking have fallen within the scope of existing accounting standard, so they said that there is no need for their extensive overhaul except for those which conventional accounting has not covered. It is also said as partial approach to Islamization of Accounting (Anwar,

1997). Currently this is the method that being adopted by AAOIFI in governing the Islamic Banking accounting standard.

### **3.3 Hybrid Approach**

In order to bridge the weaknesses of originally based on Islamic teachings and the contemporary based approach, Shahul (2000) proposes a hybrid approach. Basically, this approach is to bridging “the gap” between the two earlier approaches. Shahul (2000) proposes this approach by starting with: (1).Identifying the ethical and accounting principles of the Shari’ah in relation to business activities and comparing it with what is currently being practiced, (2).Identifying the main objectives and subsidiary objectives based on the Islamic ethical principles, (3).Considering the development of socially related reporting that cannot be ignored by modern accounting, (4).Identifying the theoretical foundation of Islamic accounting, (5).Identifying the users of Islamic accounting information and what information they need. Based on those identifications considerations, try to develop the characteristic of Islamic accounting, which would incorporate Islamic business ethical principles and the achievement of the objectives of Islamic accounting.

It is expected that the resulted Islamic accounting would be applicable and could achieve the Islamic socio-economic objectives. This approach implies that the resulted Islamic accounting should be based not only on the understanding of *Shariah* principles related to business activities but also on the problems of society that it could probably contribute to solve. So, it will be in line with Faruqi’s Strategic Work Plan in Islamization of knowledge (1989) that an Islamic methodology must maintain its relevance to the *ummah*’s (society) reality by addressing itself to the problems that have already identified and analyzed from the standpoint of Islam.

### **3.4 Strategic Workplan Approach**

In the writer’s point of view, since accounting involves human behavior which has not been included in the three approaches before, we are stressing to the humankind problem through accounting education. Therefore, we cannot separate knowledge (*Ilm*) and training (*Tarbiyah*), both training of mind and training of the whole being of the person. The teacher in Islam must be transmitter of knowledge (*muallim*) & trainer of soul and personality (*murabbi*). That’s why Faruqi (1988) said: “There can be no doubt that the intellectual and methodological decline of the *ummah* is the core of its malaise”.

So, the greatest task confronting the ummah is to solve the problem of education. In Sardar's (1985) words: "If we want to reconstruct the Muslim Civilization, we must rediscovering the epistemology of Islam" It is the fact that Muslim contemporary scholars have not yet appreciated the importance of epistemology in any attempt to redevelop Muslim civilization. As we can see, the epistemology of western civilization is the dominant mode of thought. But, we must consider there is significantly difference between Islamic and Western epistemology.

The epistemological aspect of Islam was first indicated in the revelation (Al Qur'an 96:1-5; 68:1-2; 55:1-3). It has been deduced that humanity has two kinds of readings to undertake understanding its situation in the universe. We could refer these as *ayatul qauliyah* or revelation (*wahyu*) and *ayatul kauniyah* or universe law (*sunnatul kauniyah*). First, the book of Allah's revelation (the Quran) (Al Qur'an 2:1-2). Second, the book of His creation (natural universe) from which nothing has been omitted, they must be used interdependently. (Al Qur'an 3:190-191). Society who ignores the first book will lose sight of its relationship to Allah and its responsibility of *Khilafah*, *Amanah* and accountability. This society will be incapable of attaining knowledge. (Al Qur'an 30:8). In addition, Islamization of accounting should include Islamic ethics which can be done through education.

Next, the writer would like to establish her work plan for the Islamization of accounting. Islamization of knowledge can be formulated through twelve systematic steps derived from Faruqi's Strategic Work Plan in Islamization of knowledge (1989). Those steps are:

1. Mastery of the accounting. Here we must breakdown modern accounting into principles, methodologies, problems and themes. The breakdown will reflect the "table of contents" of the classical text book of accounting.
2. Survey the characteristics of accounting. This is necessary to ensure that Muslim scholars have mastered in accounting
3. Mastery of the Islamic legacy. What are needed are anthologies on the Muslim heritage pertaining to Accounting.
4. The Islamic legacy has to be analyzed from the perspective of the problems of the present.

5. Establishment of the specific relevance of Islam to the accounting. By posing 3 questions:
  - What did the legacy of learning, from the Qur'an to the modernist?
  - How does the Islamic legacy's contribution to the accounting compare or contrast with the achievement of the discipline?
  - In which direction may Muslim effort be henceforth exerted in order to fill the discrepancy, to reformulate the problem, to enlarge the vision?
6. Critical assessment of the accounting. It should be assessed and analyzed from the standpoint of Islam.
7. Critical assessment of the Islamic legacy. Islamic legacy's contribution in each field of human activity must be analyzed and its contemporary relevance discovered.
8. Survey of the ummah's major problems.
9. Survey of the problem of humankind. It is our concerned because human resource is a key success factor in Islamization of accounting. Therefore, we suggest establishing an integrative and comprehensive concept of accounting education to avoid "split personality" in Muslim accountant in their mind or profession.
10. Creative analysis and synthesis. At this stage, Muslim scholar would be ready to synthesize the Islamic legacy and accounting.
11. Recasting/reformulation the accounting under the framework of Islam
12. Dissemination of Islamic accounting.

#### **4. ISSUES AND CRITIQUES**

Follows, the writer would like to briefly discuss some of problem rising in the method of Islamization of accounting. Firstly, the issue of Islamic accounting in an un-Islamic Worldview. At this point, Islam should not be thought in the Western sense of religion. Contemporary knowledge, hiding in the objectivity and neutrality nature is in fact the religious value of Western; i.e. fundamental secularism. Therefore, Islamic Accounting should be derived from the philosophy worldview and values of Islam.

Second issue is Cosmetic Approach. Is this process damaging? Islamization of accounting as a part of Islamic economics movement which has implemented as theoretical perception in the form of Islamic financial institution should has more attention on

consciousness in the Cosmetic approach issues. In example: the islamization of accounting should not be a merely changing the technical terms into Islamic term (Shahul, 2000) or Islamic bank still uses conventional interest rate table to determine the profit from *mudharaba/musyarakah* (Freeland, R. 1998).

Lastly, the issue about to what extent Conventional Accounting should be Islamized. The 'push factors' prove that its principles, characteristics and consequences are insufficient to lead to behavior consistent with Islamic norms and objectives, for example conservatism and profit oriented concept is against *shari'ah* as Islam commands justice and priority is given to ummah. Thus, modifications are in principles rather than technical nature but we have to ensure that the methodology will not omit the wisdom of conventional accounting.

## 5. CONCLUSION

Islamization of knowledge is a process converting all disciplines religious basis knowledge which referring to Al Qur'an and As Sunnah. It is needed to avoid the miseducation, misused of knowledge and to recover the Moslems mind and thoughts crisis and the malaise of Moslem.

Accounting as a social science, which involves human behavior, cannot avoid from Islamization process. In addition, the modern discipline include accounting which develop from Western secular outlook which left God out of the picture are not suitable for an Islamic way of life and therefore need to be Islamized. Therefore, in designing an Islamic accounting, it would also be appropriate to be directed towards the achievement of Islamic socio economic objective (Yaya, 2003), for example: its objectives and characteristics should be able to direct the enterprise not only to provide a true picture of the enterprise but also to encourage them to be *Ihsan* and discourage them to be unjust.

There are four methods through which accounting can be Islamized, which are constructive approach, pragmatic approach, hybrid approach and strategic work plan approach, which we have developed based on Faruqi's Strategic Work Plan in Islamization of knowledge (1989).

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