

ARTICLE REVIEW OF “FINANCIAL MANAGEMENT AND ACCOUNTING IN STATE ISLAMIC RELIGIOUS COUNCILS IN MALAYSIA: A GROUNDED THEORY” BY ABDUL RAHIM ABDUL RAHMAN AND ANDREW GODDARD¹

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1. Introduction

Financial management and accounting are pivotal in any organization since the success or failure of the organization depends on how the assets are managed within the organization (Accounting Schools Online, 2012) regardless of its nature whether it is a business or religious entity. However, as argued by the researchers in this sociology research, the study on cultural and social background is needed in order to understand the organization's management. This is in line with what has been found by Hofstede (1998) that organizations have cultures, even parts of organizations may possibly have different subcultures.

2. Research Objectives

Since there has been no far-reaching and organized study of these two managerial elements in Islamic religious settings during that time and due to the lack of research in accounting adopting grounded theory, the researchers conducted this study with two main objectives. The first is to give a valuable insight pertaining financial management and accounting in religious organizations generally and in Islamic organizations particularly. The second is to present a model of how a grounded theory approach is undertaken in practice and subsequently promoting its use in similar and different studies. Looking at the objectives of the study, the researchers have lucidly explained the research gaps and supported them with extensive and updated literature.

3. Research Design

As researchers want to study the management processes that are embedded in two Islamic organizations in Malaysia, qualitative research method is chosen to develop the study. This suits the nature of the study since qualitative research does properly seek answers to questions by examining various social settings and individuals who inhabit these settings (Berg, 2007). This research is a combination of two qualitative research designs i.e. case study and grounded theory. Grounded theory as defined by Glasser and Strauss (1977) as the discovery of theory from data is used to study the accounting *verstehen*² of the two State Islamic Religious Council (SRC) in Malaysia. The researchers have systematically undertaken three interrelated phase of procedures in the analysis namely, theoretical

¹ Abdul Rahim, A. R. & Goddard, A. (2004). Financial Management and Accounting in State Islamic Religious Councils in Malaysia: A Grounded Theory. In C. M. Henry & R. Wilson (Eds.), *The Politics of Islamic Finance*. Edinburgh: Edinburgh University Press, pp.153-181.

² *Verstehen* is a German word which means empathic understanding of human behaviour or simply means understanding (Oxforddictionaries.com, 2013).

reflections, coding and theory generation. Each of the stage has been clearly explained in the methodology part. In the coding phase itself there are three stages undertaken using the grounded theory methodology, starting with the open coding, followed by axial coding and ended with selective coding. The coding process is vividly summarized in Table 1 where the 32 provisional categories (open coding) later were grouped into 11 substantive and theoretical categories (axial coding). The final procedure in selective coding process is illustrated in Figure 1 finally develops a theoretical framework of interrelated concepts. This proves that both authors have successfully shows the whole social process discovered in the research.

The authors undertake interview, document exploration or documentary research, participant observation and literature reviews as data collection methods in order to ensure and further enhance the validity of the research. Face-to-face interview gives advantages to the researchers in getting higher response rate and more accurate data (Zainuddin, 2010). However, the interviewees' details in this study are concealed for the purpose of confidentiality. In terms of document exploration, annual reports, proposal papers, newspaper cuttings, minutes of meetings were collected and compiled to be analyzed. On the other hand, observation as defined by Sarantakos (1993) as a data collection method that employs the sense of vision as its main source, was adopted to strengthen the reliability and validity of the data obtained from the earlier tools. Finally, literature reviews of more than 60 sources comprising of journal articles and books were referred in order to develop a robust theoretical framework. Undeniably, the authors have excellently chosen the right methods to be adopted in this qualitative type of research which is in parallel with the objectives aimed.

4. Research Findings

Among the findings found in this study is the sacred/secular divide was not evident in both Islamic organizations. The study also showed that important differences in accounting practices occur between organizations even within the same religious denomination. These differences are owing to the different accounting *verstehen* in each organization which surface from the differences in the complicated contexts of power and other cultural influences within which the organizations located. In the conclusion part, the researchers have suggested a few research areas to be explored using the developed theoretical framework which is beneficial for future studies.

5. Conclusion

In a nutshell, this study effectively contributes to the construction of a deep theoretical understanding, or grounded theory of the financial management and accounting practices in Islamic organizations. Simultaneously, the researchers successfully provide a model of how a grounded theory is undertaken in practice. The study also fruitfully gives the understanding of Asian management, in the context of religious organizations in Malaysia, in particular financial management and accounting.

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Appendix

Table 1: Summary of coding process

Substantive and theoretical category	Provisional category
(1) Influence of power structures on organizational decision-making process	1. The existence of power elite groups 2. Power and decision-making process 3. Authority in decision-making process 4. Organizational control by coercion or consent
(2) Managerialist culture and values	5. Level of involvement of accounting staff in organizational management 6. Staffing levels 7. Professional training and exposure to contemporary accounting techniques 8. Interdepartmental conflicts and tensions 9. Professionalism and authoritative leadership
(3) Islamic culture and values	10. Relationships between the ‘ <i>Ulama</i> ’ (clergy) and management. 11. Centrality of religious activities: religious vs commercial activities.
(4) Traditional Malay culture and values	12. Organization change and increase in power of Sultan in ASRC
(5) Accounting values	13. Ex-posting reporting 14. Accounting information and probity of expenditure
(6) Centrality of accountability	15. Coercive and consensual use of authority in decision-making process. 16. Formality of accountability relationships 17. Power elite and accountability 18. Personal vs. managerial accountability 19. Accountability and fraud
(7) Financial control practices and processes	20. Financial regulation procedures 21. Budgetary processes and the usage of budgetary data for control purposes 22. Emergence of use of performance measures and <i>Zakat</i> collection in BSRC
(8) Financial decision-making processes	23. Financial decision-making processes
(9) Financial reporting process	24. Accounting and the external auditing requirement 25. Accounting and the community

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| <p>(10) Role of accounting and authority of the accountant</p> <p>(11) Relationship between accounting practices and mainstream religious activities</p> | <p>26. The role of accounting practices</p> <p>27. Adequacy of financial information</p> <p>28. Accounting perceived as a routine process</p> <p>29. The authority of the accountant</p> <p>30. Existence of distinct religious and non-religious occupational groupings with different attitudes</p> <p>31. Centrality of religious activities: religious vs. commercial activities</p> <p>32. Acceptance of accounting as a valid organizational practice</p> |
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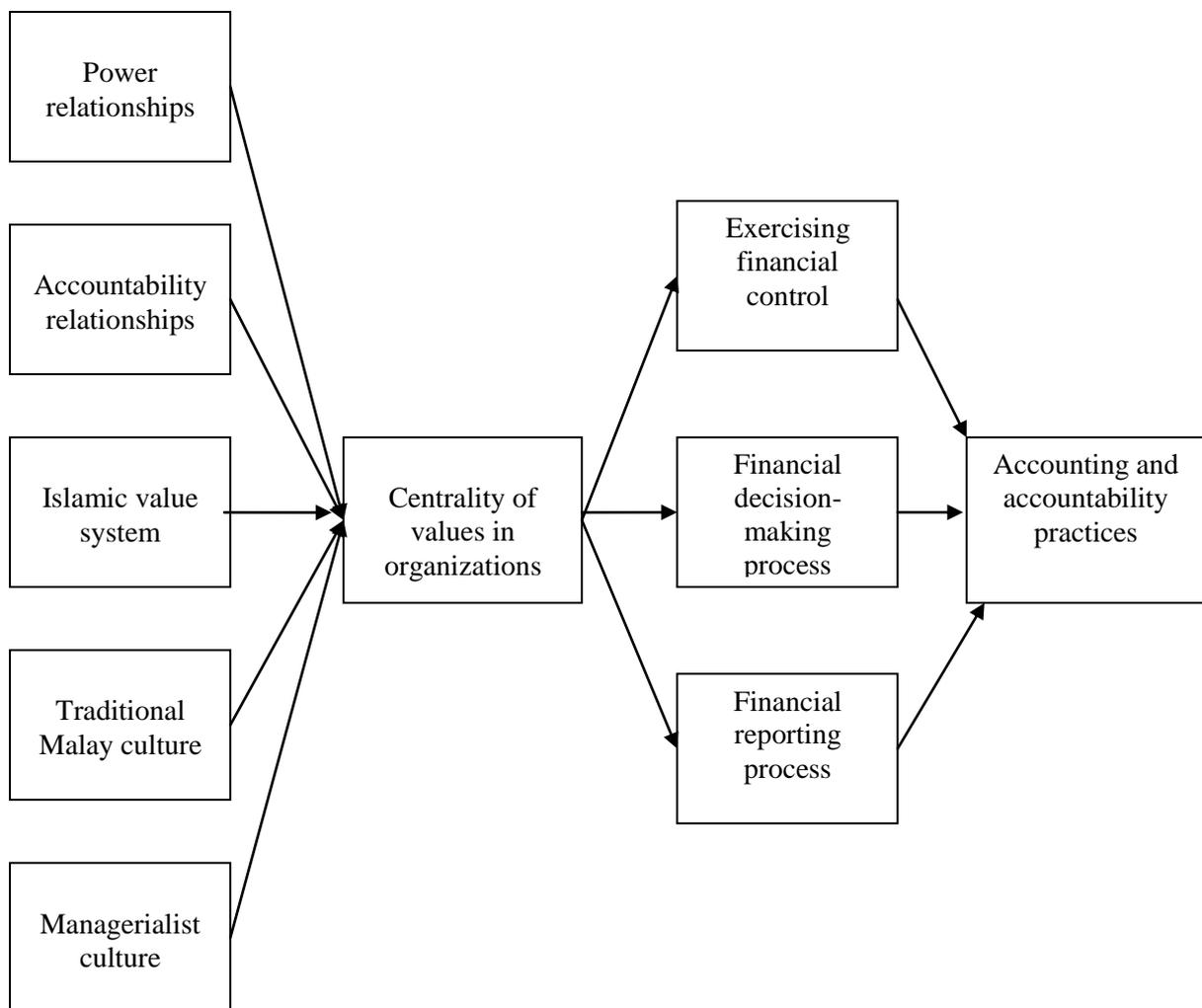


Figure 1: Accounting and accountability process in ASRC and BSRC