



**THE COMPATIBILITY OF ISLAMIC ACCOUNTING AND
CORPORATE SOCIAL RESPONSIBILITY ON
ACCOUNTABILITY**

THESIS

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ABSTRACT

The Compatibility of Islamic Accounting and Corporate Social Responsibility on Accountability

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As the development of requirements for corporate to make Social and Environmental reporting, accountants now should also help management to report on their social and environmental activities as a form of their accountability to many different entities as their stakeholders. The issue of religions trends amongst world society has put Islamic accounting comes to surface. In a broader sense of Islam, the accounting itself is a central, since the basic of accountability to God and the community as well is paramount in Islamic values (Shari'a). Even, accountability applied to each individual and corporate treated as individual entity as well. The merges of accountability tenet on both conventional and Islamic accounting has make it interesting to know whether the concept in Islam compatible with its concept in conventional CSR Through desk-based study on mounting numbers of literature on the subject of Islamic accounting, CSR and accountability, the research have found that on the concept of accountability, Islamic accounting does compatible with conventional CSR. Only, Islamic accounting sees it in a wider scope where accountability not only made to environment or any other stakeholders known on conventional accounting, but more over to God (Allah) as the real owner of all resources available on this universe.

Keywords: Islamic Accounting, Corporate Social Responsibility, accountability.

I. INTRODUCTION

1.1. Background

Accountants today are no longer as they were before. They used to live working on corporate reporting that mostly deals with accounting statement grounded in the maximization of the return on the invested capital. In their spare time, they had markets to watch, governmental regulations to meet, to help management decide product profitability strategies, and to be wary of competitors. Their responsibility or core of work developed as the development on accounting needs. Accountants are now also work to help corporate management to think on how to report on their social and environmental activities and their accountability to many different entities as the recent extension of corporate reporting to include not only common financial instruments but also corporate social and environmental responsibility (CSE) and sustainability as well. This is evident in the increase in number of articles dealing with these topics, including social and environmental accounting research (SEAR), that have appeared in both professional and research journals. The rapid growth of interest has been increasing since the later half of 1990s¹.

As the development of positive accounting which includes social and environmental accounting, nowadays the requirements for companies, both nationals and multi-nationals, to go beyond their traditional roles that have included making profits, paying taxes, and employing people in their reports and start to report on their social and environmental practices have growing so fast. The request and the pursuit come from many different entities like NGOs (Non-Governmental

¹ See Deegan (2002b) for details.

Organizations), governments in many countries all over the world (even though non other than Indonesia so far that implement CSR reporting as mandatory), the labors unity institutions, or non-profit human-rights organizations like the United Nations (UN) Global Compact and Social Accountability International (SAI). In Indonesia, the requirements today have become necessary for companies listed on IDX (Indonesia Stock Exchange). As *Undang-Undang* No. 40/2007 article 74 of Incorporations that makes it compulsory for corporate that run their business on or related with natural resources to make report on their social responsibility activities as well as the others, the companies now should engage on making their social activities report started on year 2008. This is making Indonesia as the first and only country that implement CSR reporting as mandatory. Even though, some experts argue that the CSR reporting should be reported voluntarily for several reasons like there is still not enough regulations and guidance on making CSR reporting. There are still no standards sufficient for creating a CSR report, especially standards that outlines the impact of corporate social activities on social and environment as well so that stakeholders can evaluate how effective a corporate CSR reports reported. These insufficient standards made it difficult for companies to make a standardized report. However, the willingly reporting of CSR voluntarily would be good as being good citizens who show responsibility to the country through helping government in dealing with providing welfare to society. A chance to make good image on society considered as loss for those companies who do not report on their social responsibility activities. That there are still companies who do not make social responsibility activities is another reason.

Previous studies in developed countries have shown that CSR in annual reports has increased over time in response to a number of factors. Some of the reasons may be attributed to increases in legislation, risk, activities of pressure

V. CONCLUSION

5.1. Summary

This research has found that accountability concept in Islamic Accounting does have compatibility with its concept in conventional CSR developed recently. Conventional CSR sees accountability as the form of increasing company's responsibility against its stakeholders (internal and external stakeholders). There comes rules and law to make it compulsory for companies to report its social activities to show some responsibilities. Islamic accounting sees accountability in a wider scope. Humans to humans' accountability defined clearly as humans' accountability to God. Corporate treated in the same way as an individual who responsible not only to another individual but to the individual's Creator as well. Islamic accounting encompasses this aspect of responsibility.

Even though found that the conventional an Islamic accounting have differences that are lie in three criteria, which are the objectives, the type of information provided along with how it is measured and valued, recorded and communicated, and the users of information, however they are in general similar. Only, Islamic accounting sees all of those aspects in a wider perception.

It can be seen from the explanations before that both conventional and Islamic accounting in theory has the accountability term that has it as a regulated form of responsibility exists, but Islamic accounting sees it in a wider scope. Here is where the concept of Islamic accounting compatible to the conventional Corporate Social Responsibility, that the accountability aspect that is has been seek and developed by the conventional accounting theories and practices, has explained long time ago in the Holy Al-Qur'an with even a wider scope. These agree with author's

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