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Stakeholder expectations of the accountability of Malaysian State Islamic Religious Councils (SIRCs): To whom and for what?

Abstract

Purpose: The paper aims to examine stakeholders' expectations of accountability in non-profit organizations (NPOs) in general, and State Islamic Religious Councils (SIRCs) in particular.

Design/methodology/approach: An online survey was used to collect data, which was then analysed descriptively. Furthermore, the differences between stakeholder groups were evaluated using the Mann-Whitney and Kruskal-Wallis tests.

Findings: The findings indicate that NPOs generally and SIRCs specifically need to clarify the meaning of accountability in order to meet the expectations of their stakeholders, especially the public, and to address accountability inquiries.

Originality: The paper contributes to the literature by addressing two questions on accountability for NPOs: to whom and for what.

Keywords: Accountability, Non-profit organisations (NPO), State Islamic Religious Councils (SIRC), Malaysia.

Article classification: Research Paper

1 Introduction

Public entities are expected to provide public services with probity and compliance (Broadbent and Guthrie, 1992). Hoque & Moll (2001, p. 305) state that “a range of social, economic, and technological pressures are forcing governments to become more effective, efficient, and accountable for the use of publicly generated funds”. This greater need for

accountability has resulted in a public sector reform (hereafter New Public Management or NPM) that empowers public managers with more flexibility to enhance performance (Hood, 1995), beyond mere fiscal compliance (Abu Kasim, 2012).

Romzek (2000) explains that managers of public service institutions are expected to provide satisfactory explanations for their actions/inactions to prevent public distrust. Public accountability is expected to help improve performance (Haque, 2000). It became a dominant practice in the 1980s and 1990s in Britain, Australia, New Zealand, the US, and some developing countries (Haque, 2007). Therefore, most research on accountability has primarily been conducted in developed countries, and as such their findings cannot be readily generalisable to developing economies.

Tayib *et al.* (1999) assert that stakeholders of public entities in developed countries have a better chance of exercising their rights to obtain information than their counterparts in less developed countries. Pollitt (2006) cautions against generalising accountability issues across developed and developing countries. He suggests conducting empirical studies on public sector accountability in developing countries.

Malaysia is a developing nation that practices a nominative representative governance system. Its public entities must demonstrate their accountability to citizens (Sulaiman *et al.*, 2016) to gain their support (Tayib *et al.*, 1999). A large body of literature recognises the need to explicate the meaning of accountability. Despite the absence of a profit motive, accountability remains a cornerstone of non-profit organisations (NPO) such as charities, religious institutions, and public service organisations. However, the absence of a bottom line hinders the effective rendering of accounts, and this has become an ongoing debate amongst scholars. It is therefore important to understand accountability in NPOs to address the complexity of values contained in the concept. State Islamic Religious Councils (SIRCs) are a

public service entity established to oversee religious affairs in each Malaysian state. Motivated by this issue, the goal of our paper is to examine stakeholders' expectations of accountability in NPOs in general, and SIRCs in particular to addressing two questions on accountability for NPOs: to whom and for what.

The remainder of this paper is organised as follows: Section 2 reviews the literature and discusses the concepts of accountability, focusing on two issues, 'to whom' and 'for what', and highlighting the accountability chain within SIRCs. Section 3 introduces the study setting. Section 4 discusses the research method. Section 5 presents the findings in four sub-sections: response rate, meaning of accountability in general and from an Islamic perspective, as well as accountability within SIRCs. Section 6 concludes the study.

2 Literature review

Accountability in the private and public sectors is dissimilar (Yasmin, 2014). In the private sector, the bottom line or profit is of uttermost importance. However, the absence of a bottom line in the public sector inhibits the effective rendering of accounts (Gray *et al.*, 2006). Therefore, understanding accountability in the public sector is crucial to promoting the best accountability reporting practice. As Goddard (2010) suggests, the questions of 'to whom accountability is due' and 'for what' must first be clarified. The answers to both questions in general and in the context of SIRCs will be discussed.

2.1 Accountability to whom

Accountability in the public sector is important because those who hold public authority are held to account (Daud, 2019; Aucoin and Heintzman, 2000). It involves the act of giving (accountor) and demanding accountability (accountee) (Roberts and Scapens, 1985) and relational accountability, that is, upward and downward accountability (O'Dwyer and

Unerman, 2010). Upward accountability consists of powerful stakeholders with political, legal, and economic interests, such as board members, regulators, and contributors. In contrast, downward accountability refers to less powerful stakeholders (O’Dwyer and Unerman, 2008) concerned about social rationalities involving the public (Roberts, 1991).

Every public entity is responsible to the accountee, who can be identified based on authorisation, support, and impact of actions/reports (Keohane, 2002). These include political accountees (ministers, voters, and elected council members); legal accountees (external supervisory entities) and social accountees (citizens, recipients of services, and other interest groups) (Bovens, 2007a). Based on this discussion, the accountees of SIRC were identified and included in this study (Table I).

Table I. Stakeholders of SIRC

Groups	Accountees	Basis of accountability	Interests
External	Federal and state government	Power of authorisation, Financial support	Political, economic
	Auditor General	Power of authorisation	Legal
	Sister entities	Impact factor	Social
	Creditors	Financial and impact factor	Economic
	Media, researchers	Impact factor	Social
	Contributors, beneficiaries, voters	Financial support, impact factor	Economic, social, political
Internal	Ruler	Power of authorisation	Economic, legal, social
	Chairman, CEO, BOD, politicians	Power of authorisation	Political and economic
	Management team	Power of authorisation, impact	Economic
	Other employees	Impact factor	Economic

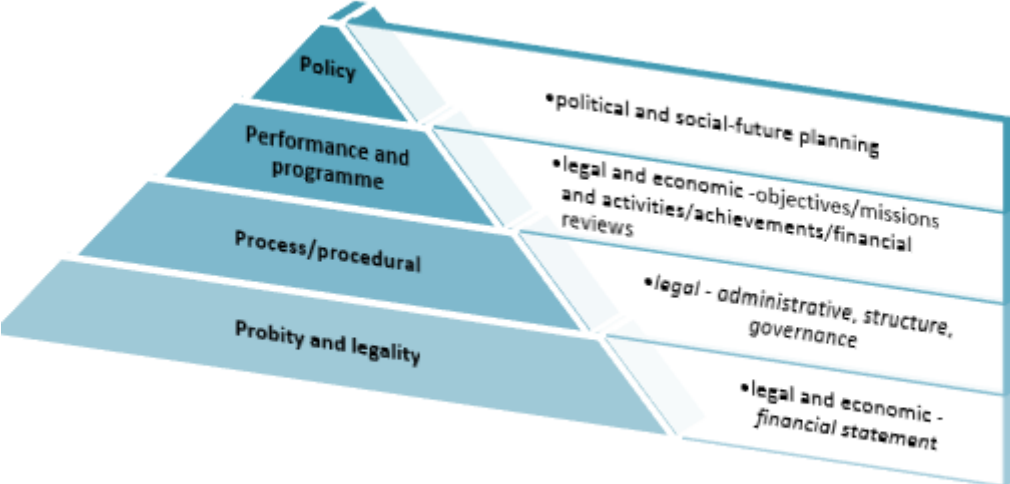
2.2 Accountability for what

What kind of information do stakeholders require in annual reports? The answer is inconclusive. An annual report can be helpful in identifying the focus of accountability, as it

reflects the scope of accountability (Bovens, 2007b; Gray & Jenkins, 1993; Sinclair, 1995; Stewart, 1984). Traditionally, Daud (2019) asserts that government entities like SIRC focus on fiscal accountability and regularly report it. While Parker and Guthrie (1993) suggest that civil officers should adhere to stipulated procedures and not surpass any budget expenditure limits.

Nevertheless, recent trends in NPM have given more focus on performance accountability. Hood (1995) indicates that traditional accountability is insufficient due to its great emphasis on performance, such as outputs and outcomes (Pollitt, 2006). Stewart (1984) proposes a hierarchical accountability model for the public sector, where each level in the accountability ladder has different information needs. As Figure 1 shows, the scopes of accountability could be integrated with its rationalities and disclosure. As the hierarchy moves up the 'accountability ladder', the level of accountability increases, and more precise accounts of actions are expected.

Figure I. Accountability scopes, rationalities, and related disclosure



Sources: Stewart (1984); Broadbent *et al.* (1996); Yasmin *et al.* (2014)

In this study, the public accountability paradigm focuses on discharging the accountability of SIRC through external reporting (Masruki et al., 2018). Although there are no specific provisions to fulfil the information needs of the public, they still have the right to be informed of the activities of SIRC. An audit report is tabled in the parliament for efficient communication to the public and to devise necessary actions against detected issues to enhance public trust (National Audit Department, 2012). However, since this tabled report is mainly concerned with the audited financial statements of SIRC, the public still reserves the right to request information beyond those. Masruki and Azizan (2020) suggest that SIRC are simultaneously held and seen as accountable to respond to any possible public inquiries on their accountability. A wider range of stakeholders should be kept informed on how the SIRC manage the resources entrusted to them so that the trust of stakeholders could be garnered (Sulaiman & Alhaji Zakari, 2019). This issue, therefore, calls for comprehensive reporting that includes procedural, performance, and policy accountability.

This study also raised that every accountant is accountable to God. In SIRC, the Ruler is the head of the religion of Islam, who empowers SIRC to act on his behalf. SIRC, therefore, are established on an Islamic foundation. NPM has recognised religion as cultural values (Haque, 2007). NPN permits drawing additional values from such sources as beliefs, ethics, and cultural traditions that influence individual conscience (Lindkvist & Llewellyn, 2003; Schweiker, 1993; Sinclair, 1995). SIRC are distinct from other governmental entities since they are founded on Islamic principles. Since their main concern is Islamic affairs, their accountability should be perceived from an Islamic perspective (Abu Kasim, 2012).

3 An overview of State Islamic Religious Councils

This study focuses on SIRCs¹ in Malaysia, which are established on an Islamic foundation for the management of Muslims' wealth in the forms of *zakat* (alms)², *waqf* (endowment)³, and *mal* (inheritance)⁴. SIRCs are statutory bodies obliged to comply with the Statutory Bodies Act 1980. According to the Act, a statutory body must keep a proper record of financial statements and other documents based on the Generally Accepted Accounting Principles (GAAP) and other financial reporting standards to provide a true and fair view of its activities. In addition to financial statements, non-financial reports are also important to discharge accountability in terms of compliance with prescribed directives (Gray & Jenkins, 1993; Sulaiman *et al.*, 2016). There is, therefore, a strong need for a comprehensive annual report for discharging accountability.

SIRCs play a key role in promoting progressive socio-economic development in Malaysia. They are chaired by state Rulers since the Ruler is the head of the Islamic religion.⁵ The uniqueness of the political system and cultural values, dominated by ethnic identity, have influenced the global public sector reform (Haque, 2007). These political and social factors have affected the public sector in developing countries like Malaysia. Investigating these could make an empirical contribution to the international literature. Therefore, this study attempts to provide some insights into the development of public accountability in the context of a developing country. Specifically, it aims to identify the perceptions of stakeholders of SIRCs on the meanings of accountability in general and from an Islamic perspective, as well as accountability within SIRCs.

4 Research method

4.1 Data collection

Data were collected using a standardised questionnaire hosted on Google Docs. As Zainon et al. (2011) explain, online surveys return a wider range of more cost-effective responses (see Connolly and Hyndman, 2013). Online surveys are rarely used in disclosure studies (e.g., Gassen and Schwedler, 2010; Zainon *et al.*, 2011; Connolly and Hyndman, 2013), even though it offers an alternative to traditional survey and provides many advantages.

The questionnaire was reviewed in three stages. Firstly, the content, structure, and wordings of the entire items were developed and refined through extensive consultations with supervisors prior to piloting. Secondly, the questionnaires were sent to three academics who are active researchers on disclosure in the Malaysian public sector. Thirdly, the questionnaires were piloted with five experts of various background and working in the Malaysian public and private sectors (three civil officers and two senior managers). Finally, the questionnaires were sent via email to the identified participants.

4.2 Respondents

According to Emory and Cooper (1991), between 25 and 100 respondents are appropriate for a pilot study. In this study, two rounds of pilot tests were conducted. The first round, which involved thirty-one respondents, suggested adding a question to identify the capacity of the respondent as either an internal or external stakeholder. Such a suggestion was discussed with the supervisors, and subsequent amendments were made. The second round tested the revised questionnaire on thirty-five respondents. Some statements, such as the translation of several constructs into the respondents' first language, were improved, while others underwent no major amendments. A Cronbach's alpha test was performed to determine the internal consistency of the scale (Bryman and Bell, 2011).⁶ The alpha for all items was more than 0.7, indicating that the questionnaire was reliable and ready for further data collection.

4.3 Sampling

The study employed convenience and snowball sampling. Convenience sampling involved internal and external stakeholders. A heterogeneous group of stakeholders were encouraged to participate to gain different perspectives and promote high-quality results. Such populations include those who have identifiable relationships with SIRCs, that is, those with online accessibility through the Corporate Communication Executive (CCE) of each SIRC. The stakeholder groups were approached with the help of the CCE.

The internal stakeholders were categorised based on their authority and knowledge of a particular issue (Donohoe and Needham, 2009) into top officials, management, and support staff.⁷ Meanwhile, external stakeholders are classified into state government (in this study, regulators), creditors, and the public (Tooley *et al.*, 2010).⁸ The CCE in each SIRC was contacted to assist with questionnaire distribution, and the number of questionnaires sent to the participants was noted by the executives for recording purposes.

Snowball sampling was also used to increase the number of respondents. In each state, the respondents were asked to refer their personal contacts as potential participants. Those shortlisted were contacted to confirm their willingness and availability to participate. However, both convenience and snowball sampling are non-random, which may result in bias. Nonetheless, controlled non-probability sampling may be acceptable with additional care oversampling (Cooper and Schindler, 2006). Important demographic profiles, based on the capacity of the respondents as either internal or external stakeholders, were considered. Given the unknown population, the number of samples is undefinable. However, this was addressed by distributing an identical number of questionnaires in every state. In February 2014, the CCEs of all 14 SIRCs were asked to send out 100 questionnaires, 40 to internal and

60 to external stakeholders, for 1400 questionnaires. This figure could be higher because of the snowball sampling.

4.4 Research instruments

The responses were imported from Google Docs, coded with numbers to minimise errors, and analysed using IBM SPSS version 21. The collected data were analysed descriptively using such frequency, mean, tabulation, and change measures. The internal and external stakeholders were further disaggregated into sub-stakeholder groups. For the internal stakeholders, the sub-groups were top officials, management, and support staff; for the external stakeholders, they were regulators, creditors, and the public. The mean scores for each group and sub-group were computed, and they were then compared to reveal any statistically significant differences. Two non-parametric tests were used for the comparison: firstly, a Mann-Whitney (MW) test was used to reveal any significant differences between the internal and external stakeholder groups; secondly, a Kruskal-Wallis (KW) test was used to compare the means of the six sub-groups.

According to Freeman (1984), stakeholders refer to those who can affect or are affected by the actions of organisational activities. Though this definition is widely accepted, the question remains: who are the stakeholders? In this study, they are identified as those to whom SIRC's are responsible (see Section 2.1). Using the stakeholder theory, stakeholders can be explained based on two dimensions: ethical and managerial.

The ethical dimension concerns the rights of stakeholders. They must be treated fairly by the organisation even though they do not directly affect its survival (O'Dwyer, 2002). Werhane and Freeman (1997) [1] refer to this as the rights-based approach, which argues for the fair distribution of resources. This is similar to the normative public accountability perspective as promoted in several public sectors, not-for profit, and CSR studies. Alam (2006) suggests that

disadvantaged stakeholders should be considered because in reality they are ignored by the organisation in favor of more powerful stakeholders. Islam and Deegan (2008) [2] found that most research does not use the ethical dimension of stakeholders, hence its fairness element has become irrelevant (Dhanani and Connolly, 2012).

In contrast, the managerial dimension stresses the impact of stakeholders' power on the survival of an organisation. The various groups of stakeholders may be treated differently by an organisation depending on their power (Smith *et al.*, 2005[3]). The power implies the degree of stakeholder control over the resources required by the organisation (Ullmann[4], 1985). Roberts (1992) states that as the level of stakeholder power increases, they will prioritise their demands since they are deemed important to the organisation (Alam, 2006).

This study attempts to mitigate this imbalance by identifying the stakeholders' perspectives towards accountability. Sulaiman *et al.* (2016) support this contention as accountability is a foundation of accounting, satisfying the needs of various stakeholders (Masruki *et al.*, 2016). The stakeholders' perspectives examined in this study include the meaning of accountability in general and from an Islamic standpoint and accountability within SIRC.

5 Results and discussion

The questionnaire inquired three questions concerning the meaning of accountability, and the responses were measured on a five-point Likert scale, ranging from strongly disagree (1) to strongly agree (5). The questions were adapted from the literature. The results showed the central tendency (mean), dispersion (SD), and distribution (skewness and kurtosis) of each item, which was ranked based on the computed mean. The following sub-sections present the

response rate, meaning of accountability, Islamic accountability, and accountability within SIRCs.

5.1 Response rate

As of 13 April 2015, a total of 545 respondents were recorded on Google Docs. Eleven respondents were excluded as they were duplicate submissions, leaving 533 useable responses, or a 36 percent response rate. The respondents were first grouped into internal and external stakeholder groups (Steccolini, 2004), before they were further sub-grouped into six categories. The internal stakeholder group comprised three sub-stakeholders of the SIRCs, namely top officials, management team, and support staff. On the other hand, the external group was made up of regulators, creditors, and the public. Table II shows the distribution of the responses.

Table II. Number of responses

Type	Sub-group	N	%
Internal stakeholders	Top officials	60	11.3
	Management teams	81	15.2
	Support staff	39	7.3
	Subtotal	180	34
External stakeholders	Public	236	44.3
	Oversight bodies	74	13.9
	Creditors	43	8.1
	Subtotal	353	66
Total		533	100

Based on Table 2, there were 180 internal stakeholders and 353 external stakeholders, a ratio of 34:66. This is almost similar to the initial distribution ratio of 40:60. Every sub-group had a small share of responses, except for the public (44%). This is consistent with the theme of this study, public accountability. Because the sub-groups had small and unequal proportions, non-parametric tests were used. This, additionally, is one of the limitations of this study.

5.2 Meaning of accountability

Table III shows the rank for meaning of accountability among internal stakeholders of SIRC. The highest mean (4.14), indicating strong agreement, was on the ‘obligation to take responsibility for actions and to explain such actions’ (1a).

Table III. Descriptive statistics for the meaning of accountability

Meaning of accountability	Internal					External				
	M	Median	Skew.	Kurt.	Rank	M	Median	Skew.	Kurt.	Rank
1a. The obligation to take responsibility for actions and to explain such actions	4.14	4	-1.11	1.72	1	4.28	4	-1.21	1.76	1
1b. An individual who is held responsible has a duty to provide an account (by no means necessarily a financial account) or reckoning of those actions	3.87	4	-0.7	0.4	3	4.03	4	-1.13	1.55	3
1c. Responsibility is part of accountability (external) but accountability is beyond the responsibility (internal) aspect	3.85	4	-0.09	-1.23	4	3.84	4	-0.32	-0.56	6
1d. Justification and answerability are important in achieving sustainability	4	4	-0.2	-1.28	2	4.06	4	-0.37	-0.8	2
1e. Accountability is synonymous with transparency but transparency does not form real accountability; instead transparency is essential for accountability.	3.8	4	0	-1.23	6	3.94	4	-0.35	-0.67	5
1f. the accountability aspect and the responsive approach are important mechanisms in public accountability.	3.84	4	0.06	-1.26	5	3.95	4	-0.24	-0.87	4

External stakeholders, likewise, mostly agreed with this meaning ($M = 4.28$). The statement highlights two important aspects of accountability: obligation to take responsibility and obligation to explain actions (Gray and Jenkins, 1993; Abdul-Rahman and Goddard, 1998). This supports the thesis of the study, that discharging accountability should be carried out through comprehensive reporting. The second most favourable statement was ‘justifications and answerability’ (1d) as stated by Bovens (2007a) and Patton (1992). This statement was agreed by internal ($M = 4$) and external stakeholders ($M = 4.06$). ‘Duty to provide an account’ (1b) (Gray *et al.*, 1996) was ranked third by internal ($M = 3.87$) and external SIRC stakeholders ($M = 4.03$). Both groups ranked the first three statements equally.

The ranks for subsequent statements differed between the groups. The internal group ranked ‘accountability is synonymous with transparency and essential for accountability’ (1e) ($M = 3.80$) (Bovens, 2007b; Fisher, 2004) as the lowest. This likely stems from SIRCS’ efforts to be transparent, but they have not been enough to demonstrate their accountability. External stakeholders ranked Mulgan’s (2000) distinction between accountability and responsibility (1c) ($M = 3.84$) as the lowest. They considered the terms accountability and responsibility as synonymous, a statement agreed by the internal group, as indicated by their almost similar mean ($M = 3.85$). The external stakeholders agreed with (Hood (1991) and Mulgan (2000), that ‘accountability and responsiveness are important mechanisms in public accountability’ (1f), which they ranked fourth ($M = 3.95$). But the internal stakeholders agreed with the meaning slightly less ($M = 3.84$), ranking it fifth. Table IV shows that most responses for the meaning of accountability were negatively skewed.

Table IV. Mean differences of responses by region and stakeholder group

Item	chi-square	p	Mean rank (KW test)					MW Test	
			Central	North	East Coast	South	Eastern Malaysia	z-value	p
1a	8.719	0.069	271.28	264.40	299.67	264.55	238.49	-1.916	0.055
1b	11.345	0.023*	276.67	243.70	302.57	269.33	241.73	-2.091	0.037*
1c	3.402	0.493	264.83	259.44	294.21	261.03	260.61	-0.015	0.988
1d	9.41	0.052	274.26	246.73	304.51	247.91	257	-0.734	0.463
1e	8.993	0.061	281.89	249.96	292.48	237.73	257.66	-1.72	0.085
1f	7.066	0.132	273.42	264.36	297.8	251	245.99	-1.467	0.142

*significant at 5%

There was not much variation in the meaning of accountability except for Gray *et al.*'s (1996) definition, the ‘duty to provide an account’ (1b). The MW test showed that there was no statistically significant difference between the two stakeholder groups except for statement 1b (Table 4). Internal stakeholders held a significantly different opinion than their external counterparts for statement 1b ($p = 0.04$).

Similarly, the KW test showed no significant difference between the means, except for 1b. The mean scores were calculated for each region. The test showed that respondents from the five regions significantly differed in their perception of whether ‘an individual who is responsible has the duty to provide an account’ ($p = 0.02$). The mean for respondents in the East Coast was the highest, $M = 302.57$. This difference may be attributed to the variation in education level among the respondents.

5.3 Islamic accountability

Table V shows the meaning of Islamic accountability according to the respondents. This meaning is highly relevant because the SIRC were established on Islamic principles.

Table V. Descriptive statistics for the meaning of Islamic accountability

Meaning of accountability	Internal					External				
	M	Median	Skew.	Kurt.	Rank	M	Median	Skew.	Kurt.	Rank
2a. Everyone is accountable to Allah for his/her actions(s) which is (are) rooted within the core of Islamic pillars.	4.62	5	-1.535	0.823	1	4.64	5	-2.325	5.723	1
2b. The belief in the Oneness of God (<i>tawhid</i>) is essential to explain accountability as custodians (<i>khalifah</i>) of the earth.	4.53	5	-1.304	0.481	2	4.59	5	-1.852	4.075	3
2c. The belief in the Day of Judgement is the final accountability as the basis of one’s action.	4.53	5	-1.211	-0.105	3	4.62	5	-1.963	3.738	2
2d. Islam offers a complete way of life for both profane and sacred matters explaining accountability in Islam.	4.53	5	-1.301	0.289	4	4.56	5	-1.731	2.81	4
2e. The trusteeship (<i>amanah</i>) concept implies that rendering an account is essential to discharge accountability.	4.29	5	-0.647	-1.12	6	4.32	5	-1.175	0.98	6
2f. The responsibility (<i>taklif</i>) concept means that individual and social responsibilities are both important.	4.38	5	-0.937	-0.407	5	4.43	5	-1.146	0.598	5

As the table shows, the ranks between the two groups were largely identical, save for the second and third. They ranked the statements of, among others, Sinclair (1995), Haniffa[5] (2002), Daud (2019) and Abu Talib *et al.* (2020) as among the highest. In particular, ‘accountability to Allah’ (2a) was ranked first by the internal ($M = 4.62$) and external ($M = 4.64$) groups. In a similar vein, both internal ($M = 4.29$) and external groups ($M = 4.32$) ranked as the

lowest Haniffa's (2002) statement on the trusteeship concept (2e). This implies that providing accounts is not an indicator of discharging accountability; rather, it is likely that the stakeholders rely more on trust rather than on rendering of account.

The internal stakeholders strongly agreed with Baydoun and Willett (2000) and Maali *et al.* (2006), that *tawhid*, oneness of God, is essential to explain accountability (2b) ($M = 4.53$). The concept should direct the operations of SIRC. Although external stakeholders ranked the *tawhid* concept as third ($M = 4.59$), its mean was almost similar to Haniffa (2002) and Osman's (2010) statement, 'believe in the Day of Judgment' (2c), which they ranked second ($M = 4.62$). This statement was ranked third by the internal group, $M = 4.53$. The fourth ($M = 4.53, 4.56$), fifth ($M = 4.38, 4.43$) and sixth meanings were ranked similarly by both groups. They perceived the three meanings to be of equal import: Islam offers a complete way of life (2d) (Abdul-Rahman and Goddard, 1998; Lewis, 2006), individual and social responsibilities according to the Islamic concept (2f) (Ahmad, 1999; Lewis, 2001; Maali *et al.*, 2006; Tinker, 2004), and the trusteeship (*amanah*) concept implies that rendering an account is essential to discharge accountability (2e). Overall, the internal and external groups had similar opinions about the meaning of Islamic accountability, excepting for the second and third ranks, in which they had opposite opinions (*tawhid* and Day of Judgement).

Table VI presents the findings of the KW test, which showed statistically significant differences between regions for all meanings except statement 2f. Stakeholders in the East Coast had significantly different opinions compared to stakeholders in other regions in the majority of Islamic accountability meanings. Stakeholder expectations in the East Coast are perhaps higher because the region is known to have strong Islamic values; in fact, some of the states are led by an opposition Islamic party. However, there was no significant difference for item 2f, but nonetheless the highest mean was found in the South. They were likely to treat

both individual and social responsibilities equally. The MW test, on the other hand, showed no significant difference between internal and external stakeholders regarding the concept of Islamic accountability.

Table VI. Mean differences of responses by region and stakeholder group

Item	chi-square	p	Mean rank (KW test)					MW Test	
			Central	North	East Coast	South	Eastern Malaysia	z-value	p
2a	9.978	0.041*	276.32	250.33	294.37	256.25	252.20	-0.692	0.489
2b	14.453	0.006*	269.89	253.80	299.41	285.35	235.49	-0.655	0.512
2c	13.844	0.008*	270.35	265.99	292.85	281.76	231.65	-1.588	0.112
2d	10.33	0.035*	274.52	261.67	288.17	277.07	235.25	-0.414	0.679
2e	10.903	0.028*	261.13	265.77	302.46	283.5	239	-0.608	0.543
2f	4.261	0.372	272.74	265.59	276.15	277.73	243.68	-0.577	0.564

*significant at 5%, **significant at 1%

5.4 Accountability within SIRC

Table VII presents the results to address the issue of to whom SIRC are held accountable. The categories were based on the literature (e.g., Coy *et al.*, 1997; Siraj, 2012; Tooley *et al.*, 2010; Daud, 2019).

Table VIII. Mean differences of responses by region and stakeholder group

Item	chi-square	p	Mean rank (KW test)					MW Test	
			Central	North	East Coast	South	Eastern Malaysia	z-value	p
3a	15.08	0.005*	274.26	274.4	292.04	280.5	219.12	-0.554	0.58
3b	14.537	0.006*	271.73	275.6	294.38	279.7	221.1	-0.866	0.387
3c	5.097	0.277	268.68	263.2	296.88	249.7	256.77	-0.963	0.336
3d	16.475	0.002*	284.83	258.7	292.19	272.6	220.24	-1.92	0.055
3e	14.892	0.005*	274.95	275.3	296.86	270	220.9	-2.288	0.022
3f	3.932	0.415	264.61	269.4	284.69	279.7	246.26	-0.919	0.358

*significant at 5%, **significant at 1%

SIRCs ranked the Sultan and Board of Directors as the first ($M = 4.01$), whereas the external group ranked fund providers as the first ($M = 4.14$). These results suggest that for SIRCs, accountability to the higher authority takes precedence over other stakeholders, while external stakeholders believe that SIRCs should be accountable to those who contribute the funds.

Both groups ranked state government as second, as SIRCs were established by state law. Accountability to the public was ranked third by both SIRCs ($M = 3.94$) and external stakeholders ($M = 4.03$). SIRCs also ranked funders and contributors as the third. This is probably because funders pay *zakat* (alms) to merely fulfil their religious obligations, and SIRCs believe that they are trusted by the funders. The external group placed the accountability of SIRCs to the Sultan and the BOD at fourth ($M = 4.02$). They also agreed that SIRCs' accountability to creditors should be the least important ($M = 3.90$). The internal group, on the other hand, ranked creditors as fifth ($M = 3.84$) and overseeing bodies as the lowest ($M = 3.82$). This was perhaps because of the limited powers of the overseeing bodies, since SIRCs are regulated by state legislation, while also prioritising *Shariah* rules (Masruki et al., 2018; Abu Kasim, 2012). External stakeholders viewed overseeing bodies as the second last.

Results of the MW test, presented in Table VIII, showed that there was no significant difference between internal and external groups, except for funders ($p = 0.02$). This signifies that there was a significant difference between the two groups on the importance of funders as the recipient of SIRCs' accountability. This is consistent with the principal-agent concept.

Table VIII. Mean differences of responses by region and stakeholder group

Item	chi-square	<i>p</i>	Mean rank (KW test)					MW Test	
			Central	North	East Coast	South	Eastern Malaysia	z-value	<i>p</i>
3a	15.08	0.005* *	274.26	274.4	292.04	280.5	219.12	-0.554	0.58
3b	14.537	0.006* *	271.73	275.6	294.38	279.7	221.1	-0.866	0.387
3c	5.097	0.277	268.68	263.2	296.88	249.7	256.77	-0.963	0.336
3d	16.475	0.002* *	284.83	258.7	292.19	272.6	220.24	-1.92	0.055
3e	14.892	0.005* *	274.95	275.3	296.86	270	220.9	-2.288	0.022 *
3f	3.932	0.415	264.61	269.4	284.69	279.7	246.26	-0.919	0.358

*significant at 5%, **significant at 1%

As the table shows, the KW test showed that except for service recipients and creditors, there were statistically significant means between regions for all recipients of accountability. This indicates that, by region, the respondents significantly differed in their perception of the accountability of SICRs to the Sultan or BOD ($p = 0.005$), state governments ($p = 0.006$), overseeing bodies ($p = 0.002$), and funders ($p = 0.005$). Stakeholders from the East Coast were more likely to agree with these four recipients. This is perhaps because they are powerful stakeholders who could easily influence and be influenced.

Another issue of accountability in SIRC is why their accountability is required, and how internal and external stakeholders understand the reasons for the institutions' accountability. Four types of accountability, as proposed by Stewart (1984), were included in the questionnaire, and the participants were asked to answer them on a five-point scale. Table IX shows a level of agreement with the stated purposes of accountability, as suggested by the literature.

Table IX. Descriptive statistics for accountability for what

Accountability to whom	Internal					External				
	M	Median	Skew.	Kurt.	Rank	M	Median	Skew.	Kurt.	Rank
4a. Accountability for probity	4.21	4	-0.652	-0.402	2	4.31	4	-1.147	1.629	1
4b. Process and procedural accountability	4.17	4	-0.455	-0.759	3	4.1	4	-0.668	0.284	4
4c. Performance and programme accountability	4.21	4	-0.609	-0.182	1	4.17	4	-0.713	0.229	3
4d. Policy accountability	4.14	4	-0.537	-0.449	4	4.18	4	-0.679	0.144	2

Internal stakeholders ranked performance accountability ($M = 4.21$) as the highest, whereas external stakeholders viewed accountability for probity ($M = 4.31$) as the top priority.

Accountability for probity was perceived by SIRCAs as the second most important ($M = 4.18$).

Performance reporting is pertinent for SIRCAs as they strongly agreed that they are accountable for performance. However, there is ongoing debate on how performance is measured, given the uniqueness of SIRCAs, as they were established and expected to operate on Islamic principles. External stakeholders, on the other hand, were very much concerned with probity as they realise that regulations must be strictly followed (Masruki et al., 2018).

Internal stakeholders perceived policy accountability as the least important, but external stakeholders ranked it second. SIRCAs are afforded with flexibility in managing Muslim revenue, providing they remain consistent with *Shariah*. They thus place *Shariah* as their main reference over other policies (Masruki et al., 2017). External stakeholders, however, require that the policy be consistent with their first choice, that is, probity. External stakeholders considered the process of accountability ($M = 4.14$), which emphasises the management aspect, as the least important purpose. SIRCAs were quite concerned about the process of accountability ($M = 4.17$), ranking it third. While the ranking between the two groups varied, their mean scores were approximately similar, ranging from 4.10 to 4.31. For this reason, as shown in Table X, the MW test indicated no significant difference between internal and external stakeholders on the purpose of accountability of SIRCAs.

Table X. Mean differences of responses by region and stakeholder group

Item	chi-square	<i>p</i>	Mean rank (KW test)					MW Test	
			Central	North	East Coast	South	Eastern Malaysia	z-value	<i>p</i>
4a	10.54	0.032*	281.86	256.57	289.56	267.12	233.18	-1.603	0.109
4b	20.178	0.000*	283.41	266.24	290.09	280.13	212.34	-0.773	0.439
4c	11.064	0.026*	283.17	263.66	289.07	258.24	231.44	-0.341	0.733
4d	25.228	0.000*	291.47	264.63	288.66	271.05	207.52	-0.592	0.554

A KW test, however, found significant differences in the purpose of accountability between the respondents by region. Respondents from the East Coast were more likely to agree with accountability for probity ($p = 0.03$), process and procedure ($p = < 0.001$), and performance ($p = 0.03$), while those from the Central region were likely to agree with policy accountability ($p = < 0.001$) (Table 9). This is likely because those from the Central region are more aware of accountability and its implications (Abdul-Rahman and Goddard, 1998), and the federal territory itself has more regulated reporting (Bakar and Ismail, 2011). Therefore, enforcement might influence the implementation (Dhanani and Connolly, 2012; Hope, 2003).

Drawing insight from the stakeholder theory, the present study examines the stakeholders of SIRC as public service organisations with an Islamic setting. It concerns the focal accountability to God (Allah), which emerges as Islamic accountability (Abu Kasim, 2012; Abu Talib et al., 2020). Each person, whether powerful or disadvantaged, should be treated fairly, as posited in the stakeholder theory. This equity is consistent with the notion of Islamic accountability as evidenced by this study.

6 Summary and conclusion

This study surveyed the perceptions of stakeholders of SIRC in Malaysia via an online survey. The respondents were categorised into external and internal stakeholders. The former group consisted of regulators, creditors, and the public, whereas the latter included top officials,

management, and support staff. They were asked to rate and rank the meaning of accountability in general, from an Islamic perspective, and within SIRC. Despite the accountability of SIRC to a wide range of stakeholders, the expectations of internal and external stakeholders varied, particularly to whom and for what SIRC are accountable. While internal stakeholders, i.e., SIRC themselves, considered themselves accountable to higher authorities, such as the Sultan and the Board of Directors, external stakeholders considered their highest accountability was to their contributors and for probity.

Managerial implications

Owing the highest accountability to the Board of Directors is akin to the practices of corporations. The findings of this study could assist their top officials to understand the accountability chain within SIRC. This is consistent with the findings regarding accountability within SIRC, whereby they perceived that they are responsible to their Board for performance. Therefore, this should encourage the reporting of performance to both internal and external stakeholders.

Theoretical implications

Nonetheless, both groups of stakeholders held similar views on the meanings of accountability. Most perceived accountability as the obligation to take responsibility for actions and explaining the reasoning behind them. From the Islamic viewpoint, accountability is to Allah, which is a core in Islamic teachings. The findings in this study indicate that despite the greater accountability of SIRC to a wide range of stakeholders, the expectations of SIRC were varied, in particular regarding their accountability. Nonetheless, the majority of SIRC agreed that the meanings of accountability in general and from an Islamic perspective are similar.

Research limitation and suggestions for future research:

Overall, perceptions on accountability are an on-going debate, and they depend on the role of the organisation and expectations of stakeholders. Identifying a clear accountability chain is essential to develop the best reporting practices for SIRC. The research method was a limitation of our study. Our data was collected using a survey. Generally, surveys contain restricted numbers and types of questions that we have outlined. Consequently, respondents might be constrained in their choice of how they perceive accountability. So, surveys used to collect respondents' opinions may have an adverse effect on their responses. In addition, a number of respondents may also give superficial answers, particularly if they are required to answer a number of questions over a long period of time. Finally, the data collected using surveys might show what respondents think about accountability, but they do not show the actual practice.

There is a need for further studies to suggest a set of information that will be expected by a wide range of stakeholders. They could also examine the current reporting practices of SIRC and determine whether they match the expectations of stakeholders. Additionally, Future research could identify the users of annual reports and their needs, so that the reports could contain information that meets their needs.

Notes

1. There are 14 SIRC in Malaysia.
2. *Zakat* is conceptually similar to tithe, but in Islam it is typically known as alms. The term *zakat* means giving a portion of one's private wealth to rightful recipients as commanded by God. It is a religious duty imposed on Muslims.
3. *Waqaf* (endowment) is the sincere gift of a private asset to the SIRC. The asset cannot be transacted: it cannot be an object of sales, inheritance, *hibah* (grant), or *wasiyyah* (will).

4. *Mal* (inheritance) refers to inheritance left by the deceased to be distributed to living family members. SIRC is entitled to receive a portion of an inheritance when (i) an inheritance has no named beneficiaries or (ii) surplus from an inheritance is unclaimed after legitimate distribution.
5. Article 3 of the Federal Constitution stipulates that Islam is the religion of the federation, but other religions may be practiced in peace and harmony in any part of the federation. Schedule Nine of the constitution lists the constitutional division of powers between federal and state government, and Islamic affairs are placed in the State List.
6. A rule of thumb indicates a value of 0.7 is an acceptable measure for established research, but 0.6 is still acceptable for exploratory research (Hair *et al.*, 2010).
7. The typical employment levels in the public sector are comparable to those in the private sector.
8. The state government included accountants in the respective state in which SIRCs have to report to, as well as creditors who had different interest in SIRCs' annual reports. The public were those with an identifiable relationship with the SIRCs and were interested in participating. These included contributors, beneficiaries, renters of SIRCs' properties, and those living or working in the locality of the SIRCs.

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