

DISCLOSURES AND PERCEPTIONS OF PRACTITIONERS ON ITEMS OF FINANCIAL AND SOCIAL REPORTING INDEX DEVELOPED FOR MALAYSIAN ISLAMIC BANKS

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ABSTRACT

The study examines the views of accountants concerning the importance of items in the developed index for Islamic Financial and Social Reporting (IFSR) as well as measures and discusses the level of weighted IFSR for Islamic banks based on the IFSR index developed for Malaysian Islamic banks. The research uses the questionnaires and the annual reports to collect the relevant data with respect to the views of accountants and IFSR score of Islamic banks respectively. The findings suggest that the financial part, and the auditing and governance part in the index of IFSR are important and close to important, respectively, while the social part is viewed as fairly important. Moreover, the other finding reflects that the weighted IFSR for Islamic banks in Malaysia is considered as fair. The findings with respect to the level of weighted IFSR disclosure may not be generalised to the years prior and after the examination period. The research provides empirical insights on the importance of items in the IFSR index and the weighted level of IFSR practices among Malaysian Islamic banks. The paper highlights the importance of items in the IFSR index as well as IFSR disclosure in enhancing the accountability and sustainability of Islamic banks.

Keywords: Disclosures; Practitioners' Perceptions on IFSR Index; Accountability; Stakeholders Theory; Legitimacy Theory; Islamic Banks.

1. INTRODUCTION

Islamic finance has been regarded as part of an Islamic economic system that has inherent social relations (Ahmed, 2011). In this regard, Islamic banks have been established since 1970s with the aim of upholding socio economic justice as promulgated by Islamic teachings. Consequently, all Islamic bank products or services have to be offered or delivered within the parameters of Shari'ah which mean that they are not allowed to engage in any kind of interest (*riba*) bearing borrowing or lending contracts (Archer & Karim, 2007).

To date, the formation of Islamic banks is believed to have captured the majority of Muslim customers worldwide, which is approximately more than 1.3 billion or around 24% of the world's population. The overwhelming acceptance of Islamic bank products or services could be due to the fact that the Islamic banking and finance industry is on its way to becoming a truly viable and competitive alternative to the

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