

**Social Accounting in a Selection of Arab Countries: Critical and  
Postcolonial Perspectives**

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## ABSTRACT

The purpose of this study is to critically appreciate social accounting in the context of nine Arab countries in the Middle East, namely, Saudi Arabia, Qatar, Bahrain, Oman, Kuwait, United Arab Emirates, Egypt, Jordan and Syria, with special emphasis on the case of Syria. The study aims at exploring social accounting manifestations in these countries; possible reasons and factors behind social accounting practices (or non-practices) and ways in which these countries can better their social accounting practices so that accounting plays an emancipatory and enabling role in the societies of the Arab world. The theoretical framework developed in this study is informed by the critical accounting school debates. The study, in addition, attempts to extend the use of the critical accounting model to address the needs and concerns of, and to accommodate insights from a non-western culture and philosophy that is of the Arab Middle East. The extension encompasses debates and insights from postcolonial theory and studies deemed to help in the critical analysis and understanding of social accounting practices (or non-practices) in the Arab Middle East. The study is particularly concerned with the influence of Islam and colonialism/imperialism on social accounting actualities and potentials in the Arab world.

The investigation into the above objectives is approached through the employment of different methods. For a start, a comprehensive socio-political and economic context analysis is carried out in this study (with special emphasis on the case of Syria). The study also carries out a content analysis of a number of corporate annual reports from the nine Arab countries. The analysis aims at exploring and bringing insights into the current level, extent and nature of social reporting practices in a number of Arab companies' annual reports. Furthermore, perspectives, attitudes and opinions on social accounting and accounting practices in general are sought from a number of accountants, practitioners and academics in the Arab Republic of Syria.

## DEDICATION

I dedicate this study to the loving memory of my father, who believed in me and who was, and still is, my source of inspiration and motivation.

## Acknowledgement

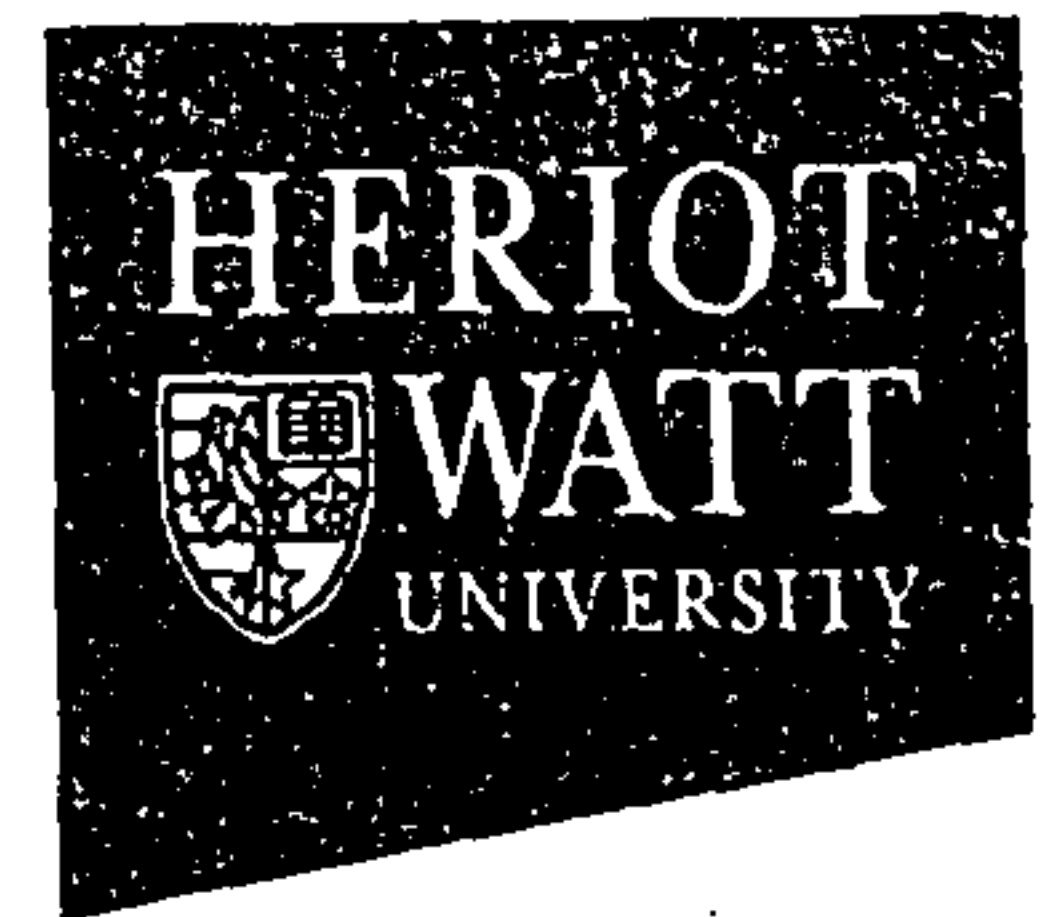
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## **Chapter One**

### **Introduction: Critically Appreciating Social Accounting and Reporting in the Arab Middle East: Rationale and Methodology**

#### **1.1 Introduction**

The primary concern driving this study is to critically explore and bring insights into social accounting and reporting debates, practices and visions in the postcolonial world of the Arab Middle East. The study especially focuses on exploring social accounting and reporting practices in nine Arab countries of the Middle East namely: Saudi Arabia, Kuwait, Qatar, Bahrain, Oman, United Arab Emirates (UAE), Syria, Jordan and Egypt, with special emphasis on the case of Syria. A main objective of the critical exploration is to provide some insights into, and understandings of the socio-political and economic context, including the context of the Western colonial experience and its impact on social accounting and reporting practices (or non-practices) in the Arab countries of the Middle East. The study is also concerned with facilitating prescription of a way-forward for the betterment of these practices vis-à-vis the particular context of the Arab Middle East and the current global order. This introductory chapter commences with an overview of the main arguments and debates that motivated this study. It then outlines the main research questions of the study before explaining the methodological position taken. The contribution and structure of the thesis are then discussed.

#### **1.2 Arguments and Debates that Motivated this Study**

Debates surrounding the issue of business social responsibility and the role of accounting in society have motivated this research. Contemporary debates surrounding business and corporate social responsibility are given consideration. The implications of the nature of this contemporary corporate social responsibility movement for social accounting and reporting practices and initiatives are elaborated. The study will consider corporate social responsibility and social accounting debates and practices in the West because of the perceived influence of these developments on international debates and initiatives and thus upon the Arab Middle Eastern context specifically. These Western practices and debates, as will be argued in this study, are largely the product of the market economy, liberal democratic states, capitalism and secularism. They are, nevertheless, promoted to the world as universal practices that are best suitable and applicable on the global level, including in the Arab world. The study in

this regard attempts to shed some light on the impact of this largely Eurocentric process of developing international accounting/social accounting initiatives and standards on social accounting and reporting practices in a non-Western context like the Arab world. The study argues that any attempt to better or emancipate social accounting and reporting practices in the Arab Middle East requires the abandonment of this insensitive Eurocentrism to developing accounting standards and initiatives and the adoption, instead, of a two-way transcultural/transactive dialogue, where the West does not remain the privileged meeting ground for international governance and the non-West, including the Arab Middle East, is heard from and its ideas known.

Arguments regarding the theorising of social accounting are reviewed with an emphasis on the critical school perspectives regarding the role of accounting/social accounting in society and prescribing a way forward for the introduction of a more enabling and emancipatory role for accounting/social accounting. Theoretical arguments in this study also highlight the way that Western literature and research in accounting/social accounting are, to a large extent, blind to the culture, aspirations and needs of the 'other' non-Western parts of the world. In order to fill this gap in accounting/social accounting research, this study attempts to bring and incorporate insights from debates in postcolonial theory and studies. This aims to provide the study with a theoretical framework that is sensitive to the postcolonial world context and, therefore, would aid the researcher in understanding social accounting and reporting practices in one segment of the postcolonial world, namely the Arab Middle East, and to give a voice in this respect to the particular culture and philosophy of that part of the world. To this end, insights from Islamic teachings and other particular cultural values of the Arab Middle East are elaborated to help in the construction of a possible alternative to the Western privileged practices and perspectives on accounting and social accounting.

### ***1.2.1 The Contemporary Corporate Social Responsibility Movement***

Despite the historical roots of corporate social responsibility<sup>1</sup>, an upsurge of the corporate social responsibility movement has been a relatively recent phenomenon with ostensibly a great deal of interest and activity in respect of corporate social responsibility in the post World War II context (see Gray *et al.*, 1996; Gallhofer and Haslam, 2003). This upsurge of the contemporary corporate social responsibility



movement has occurred in the context of trends towards enhanced globalisation and the rising power of transnational corporations. Indeed, concerns about corporate accountability have been fostered and advanced in this context (see Monbiot, 2001; Held and McGrew, 2002; 2003). One aspect of this has been to question the legitimacy of business and to pressurise business to demonstrate legitimacy. In the age of rapid global communication, there is an increased sense and awareness of economic, social and environmental abuse engendered by the operations of multinational or transnational organisations in current structures (Elkington and Zollinger, 2000). The international community, as a result, including governmental and non-governmental bodies, professional and business organisations, in response to the increased public awareness and pressure regarding corporate social responsibilities, issued a number of initiatives that would give guidance to companies on how to demonstrate their social responsibility. Furthermore, the amount of environmental and social legislation in recent decades has also increased, which requires companies to give some sort of social consideration to responsibility issues (see chapter two). Despite this increased pressure and legislation, the contemporary social responsibility movement is predominantly voluntary (in the sense that it is not explicitly prescribed by the law or quasi-law), led by business and business initiatives, leaving the state's role to be basically one of encouragement. Therefore, while on the face of it business celebrated this new found ethical progress (Dey, 2001), sceptics argued that the voluntary nature of the movement has meant that, in the majority of cases, business interests and the generation of profit are still paramount, with social objectives being measured in relation to their suitability to business ones. The contemporary corporate social responsibility movement, it will be argued in this study, has, consequently, failed to significantly challenge the conventional perspectives of the role of business in society and has been captured by the free market concept and economic interests where it has been used merely as a managerial tool for control and enhanced business performance (see O'Dwyer, 1999, 2003; Owen *et al.*, 2000 and Gallhofer and Haslam, 2003).

### ***1.2.2 Delineating Social Accounting***

The contemporary corporate social responsibility movement has had a significant impact on accounting and accounting practice. Indeed, accounting has come to play a significant role in driving that movement forward. Corporate social responsibility

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<sup>1</sup> See Gray *et al.*, (1996) and Gallhofer and Haslam (2003) for a review of accountability in earlier times,

initiatives entailed, among other things, new types and ways of communicating accounting information that enhanced calls for social accounting. Social accounting is delineated in this study as accounting that contributes to '*...a "radical critique" of the socio-political order, including its business organisations and their activities*' (Gallhofer and Haslam, 2003, p.114; see also Tinker *et al.*, 1982, 1991).<sup>2</sup> It is an accounting that challenges and goes beyond the conventions of traditional accounting. Accordingly, social accounting, it will be argued in chapter two, should represent an '*enabling, empowering and emancipatory form of accounting*' (Bebbington, 1997, p. 365) that has a potential '*to create a fairer, more just society*' (Bebbington, 1997, p. 365) and this is how it is socially justified.

The enabling and emancipatory potential of current manifestations of social accounting and reporting has, however, been questioned. Social accounting and reporting, as in the case of ostensible corporate social responsibility more generally, has been mainly voluntary (in the sense of not being prescribed by legal or quasi-legal regulations). Given a context that inadequately pressurises business, this situation facilitates the hijacking of social accounting by business for counter radical public relations purposes. Social accounting and reporting, therefore, have been perceived as a 'public relation opportunity' promoted to business as a routine, simple and a straight-forward process that resembles financial accounting and reporting (see Gray, 1999; Hibbitt, 1999; Gallhofer and Haslam, 1997, 2003). Social accounting and reporting practices have in this regard largely concentrated on the telling of good news and the countering of bad news. In addition, social reports have rarely been independently verified, failing to provide the appropriate assurance to report users (Gray *et al.*, 1995b; Gallhofer and Haslam, 2003).

The study particularly concentrates on one influential initiative, namely the Global Reporting Initiative (GRI) for sustainability reporting. The initiative is considered to be a first move towards the development of a common framework for a sustainability reporting including social as well as environmental dimensions (Hibbitt, 1999). It will be argued, however, that a close consideration of the GRI's membership and its disclosure requirements illustrates the strong influence of business interests, resulting in only mildly progressive guidelines and limited radical or emancipatory potential for

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especially focused upon the 18<sup>th</sup> and 19<sup>th</sup> century.



change (see Hibbitt, 1999; Gallhofer and Haslam, 2003). Furthermore, the initiative fails to play its alleged universal and global role as it is a reflection of purely Western values - ignoring, in the meantime, 'other' non-Western cultural values and beliefs. The initiative, in this sense, could be considered as an imperial and Eurocentric one, insensitive and blinded to 'other' non-Western needs and culture.

### ***1.2.3 Critical Insights from a Postcolonial Perspective***

A major concern of this study has been the silence in social accounting research and theorisation, as well as practice, towards cultural values and the needs of the 'other' non-Western world. The critical accounting school<sup>3</sup> has argued that any empowering and emancipatory vision of accounting or social accounting should attempt to challenge the social conflict between structurally advantaged and disadvantaged groups in society and acknowledge the functioning of accounting as a political tool that is mobilised repressively in society to enhance and protect interests of capital and shareholders (see Tinker, 1985, 2004; Lehman and Tinker, 1987; Tinker *et al.*, 1991, Lehman, 1999, 2001; Gallhofer and Haslam, 1991, 2003; Tinker and Gray, 2003). The critical approach, in most cases, however, has failed to extend the conflict-based argument to encompass the impact of the colonial and imperial experience on the development of accounting and the role that accounting plays in societies of the postcolonial world, including the Arab world of the Middle East (see Gallhofer *et al.*, 1999, 2000; Davie, 2000; Gibson, 2000; Greer and Patel, 2000; Annisette, 2000, 2004; Neu, 2000, 2000a, 2004; Chua and Poullaos, 2002; McNicholas *et al.*, 2004; Rahman *et al.*, 2004; Neu and Heincke, 2004). Postcolonial theories and studies, in this regard, by signifying a position against imperialism and Eurocentrism (Bahri, 2001) provide a good way forward for extending the critical school debates to accommodate insights from a non-Western postcolonial perspective.

Postcolonial studies and theory are mainly concerned with the process of revisiting, remembering and, crucially, interrogating the colonial past, in order to disclose a relationship between reciprocal antagonism and desire between coloniser and colonised.

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<sup>2</sup> In this phase the researcher takes 'for the use of shareholders only' to mean shareholder use as conventionally envisioned, i.e. use directed at the prospect of financial reward.

<sup>3</sup> 'Critical accounting' is an umbrella term. It refers to an array of a variety of different theoretical perspectives in social science including Marxism and the Critical German School (in accounting research see Puxty *et al.*, 1987; Hopper *et al.*, 1986; Tinker and Neimark, 1987), postmodernism (see Miller and O'Leary, 1987), postcolonialism and feminism. Chapter two, will provide more discussion about different varieties of critical perspectives and their relationship with postcolonialism.

Unfolding this troubled and troubling relationship begins to discern the ambivalent prehistory of the colonial condition (Gandhi, 1998). The value of postcolonial theory to accounting and social accounting discourse must be considered in terms of its emancipatory promise to, firstly, expose the impact of the colonial and neo-colonial/neo-imperial experience on accounting/social accounting practices in the postcolonial world (in the case of this study: the Arab world of the Middle East). And secondly, in terms of its emancipatory promise to give a 'voice' to this subordinated group of the postcolonial world by attempting to attach due value and respect to their cultural beliefs and philosophy and bringing insights from these beliefs and values. Finally, postcolonial theory helps us to better realise how the colonial experience has affected the colonial and the colonised, a realisation that helps in linking between these experiences and potentially creates a stimulus for developing a universal framework for global accounting/social accounting, where transactive and transcultural interactive dialogue form the basis for communication. This is a forum where the colonised culture is not repressed and ignored anymore and the West does not remain the privileged meeting ground for all cross-cultural conversations, but where there is an acknowledgement that the colonised people should be heard from and their ideas known (Said, 1993) (chapter three will elaborate in detail on the postcolonial perspective).

### **1.3 Justification and Contribution of the Study**

While the academic and professional literature of social accounting has expanded in recent decades in the West (O'Dwyer, 1999), there has been no comprehensive and detailed study of social accounting and reporting practices in the Arab countries of the Middle East, indeed, there is very little literature in respect of social accounting in the Arab world (see Naser and Abu Baker, 1999; Abu Baker and Naser, 2000, Attia, 2000; Jahamani, 2003; Al-Khater and Nasser, 2003). Even in the international accounting literature and accounting studies in general, very little is known about accounting practices and regulations in the Arab Middle East, with most studies concerned with larger Arab countries like Egypt and Saudi Arabia (see Kayed, 1990; Al-Rehaily, 1992; Fakhra, 1992; Helles, 1992; Al-Rumaihi, 1997; Abd-Elsalam, 1999). This study adds to the social accounting and reporting literature and debates, and, to a lesser degree, it adds to the international accounting and reporting literature. It does this by being one of few studies, best to my knowledge, to provide insights into social accounting and reporting practices and debates from nine Arab countries in the Middle East.



The Middle East historically has held a significant geopolitical importance. The importance of the Middle East goes back to early periods in history when civilisations such as the Egyptian, Sumerian, Babylonian and Assyrian flourished. In addition, within the region also arose three great monotheistic religions: Judaism, Christianity and Islam. A fourth even older religion, Zoroastrianism, arose nearby and spread into the region. The region was successively part of the Persian, Greek, Roman, Arab, Mongol, Tartar and Turkish Empire. The Middle East, therefore, has been a centre of human affairs and different cultures and civilisations (Anderson, 2000). In modern history, the Middle East continues to be strategically important as a central location between Europe, Asia and Africa, and as an intermediate between East and West (Hourani, 1991). The importance of the Middle East goes beyond its central geographical location to include geopolitical issues. For instance, through Islam with its 1.2 billion adherents, the Middle East has links to most countries in the world. Furthermore, as a result of oil, it is closely aligned with the three great economic regions: The USA, European Union (EU) and Asia Pacific (Anderson, 2000). It is not surprising, therefore, that the Middle East, more than any global region, has been the focus of international attention and the scene of conflict throughout time (Anderson, 2000).

From the Sixth Century onwards, Islam spread into Palestine, Syria, Egypt, Iraq and Iran. Arabic, consequently, replaced Greek, Persian, and Aramaic (Hourani, 1991; Cleveland, 1994). Islam, since then, has played a dominant role in society in the Middle East. At the end of the nineteenth century nearly all of the major political units of Islam were under some form of European control. As the Ottoman troops began laying down their weapons, the Allies were in full control of the disposal of Ottoman territory, with Britain in occupation of most of the Arabic-speaking provinces and French forces stationed in Beirut and Syria (Cleveland, 1994). The majority of Arab countries, after gaining their independence, became either socialist countries as in the case of Syria and Egypt or absolute monarchies as in the case of the Gulf states and Jordan. In both cases, the government has major control over the economic activities of the country. In recent years, however, there has been a steady move by all the countries in the study towards market liberalisation and privatisation. In some cases, this movement away from policies of central planning and nationalisation and towards a more market-orientated economy are done under the auspices of the International Monetary Fund (IMF) and World Bank (WB) such as in the case of Jordan and Egypt (McKee *et al.*, 1999) (see chapter five).

While writing this current thesis, conflicts continue to accelerate in the Arab Middle East. On top of these was the invasion of Iraq by the coalition forces in March 2003. Bush and Tony Blair declared to the world their plan to reshape the Middle East region, including the bringing of Western-style democracy and economic reforms to the Middle East (Elliot and Teather, 2004). Such attempts to 'reshape' and change the Arab world according to Western, ready-made prescriptions have made this study a timely one in its questioning of the suitability and universality of Western practices and ideologies that are being imposed on the Arab Middle East.

With such a rich history and rapid developments in the Arab countries of the Middle East, it is of interest to study the impact of these interrelated contextual dimensions on accounting/social accounting practices and regulations. In addition, little attempts have manifested in accounting, and especially not in social accounting, research to understand or interpret these practices using theoretical perspectives developed by natives and people originating from the colonised world and so as to give a 'voice' to local opinions, philosophies and visions. This study, while building its theoretical framework on the work of the critical accounting school<sup>4</sup>, more particularly as exemplified by Gallhofer and Haslam (2003), extends this framework to incorporate insights and visions developed in the postcolonial literature, where theorists are native people who have lived in the context of and are still experiencing the impacts of the colonial and imperial experience. Natives perspectives and attitudes are also sought in the empirical part of the study through bringing insights into their social reporting practices and through semi-structured, face to face interviews, where Syrian accountants' perspectives and attitudes to accounting's role in society, accounting practices and regulations in Syria and the betterment of these practices and regulations are brought forward and analysed. In this respect, the study attempts to give a 'voice' to this group of people and make their ideas and visions heard, including in the English speaking world.

The emphasis on Syria is motivated by a number of considerations. For a start, there are very little (if any) studies that research Syria's accounting practices or social accounting practices. This study, by emphasising the Syrian case, is attempting to fill this gap in the literature and hope to encourage more research into Syria's accounting/social



accounting practices and issues. In addition, Syria's current socio-political and economic context, which will be discussed in chapter seven, demonstrates a stage in Syria's history when it is moving from central planning state to a more market orientated one. Such a context, and its impact on accounting/social accounting in Syria, provides interesting and important grounds for researching and emphasising the Syrian case. Emphasis on Syria will not largely jeopardise the comprehensive story of the Arab Middle East that this study is attempting to explore. While these Arab countries are ahead of Syria in their adoption of marketisation measures and differ from Syria, especially in relation to their economic growth and living standards, they share a common language, history, culture, geography and religion with Syria. In addition, their westernised accounting practices and their uncritical embrace of these practices suggest a similar note to Syria's current position (this will be delineated further in chapters five and seven). Therefore, a careful analysis, which considers the contextual differences between Syria and the other Arab countries, can aid the study in analysing and envisioning ways forward for bettering accounting practices in Syria and the other eight Arab countries considered in this study (see chapters eight and nine).

The study in addition to attempting to encourage further research in the area of social accounting and reporting in the Arab Middle East, also wishes to bring the issues of social accounting and reporting to the attention of policy makers, educators and professionals in the Arab countries and help in making these issues more central to their future plans and visions.

#### **1.4 Research Questions**

The purpose of the study could be summarised in terms of three broad and primary research questions:

1. What are the 'emancipatory/radical' and/or the 'repressive/counter radical' potentials and actualities of social accounting manifestations in the nine Arab countries?
2. What are the socio-political and economic contextual factors influencing these social accounting practices (or non-practices)? And how does the Western Imperial experience influence these practices or non-practices?

3. How can accounting/social accounting be improved and changed so that accounting would better serve the particular needs of the societies of the nine Arab Middle Eastern countries and beyond?

The investigation into the above research questions is approached through the employment of different methods. A comprehensive socio-political and economic context analysis is carried out in this study (with special emphasis on the case of Syria) in order to better understand and appreciate the contextual factors influencing the level and extent of social accounting and reporting practices in these countries and to help in envisioning away-forward for the betterment of these practices. Integral to the context analysis there is an appreciation that any research study concerned with the Arab Middle East should take special account of and interest in the impact of Islam on all aspects of life in these countries, as Islam has emerged from the Arab peninsula and is by far the most practised religion in the area. Hence, this study brings insights from the rich teachings of Islam and the way that Islam impacts upon lives of people in the Arab Middle East, including the relationship between society, business and accounting. Another consideration to any research study about the Arab Middle East should be the history of the Western imperial and colonial influence on the area. This study concentrates on the way that the colonial experience after the fall of the Ottoman Empire at the end of the nineteenth century impacted on economic, political, social and, therefore, accounting practices in a selection of Arab countries in the Middle East. The study, furthermore, explores the way that the current global order has contributed to the continued, enhanced and broadening or deepening influence of the West on accounting practices in these countries until today. The study, in addition, attempts to prescribe a way forward for the betterment of these practices and the bringing about of an emancipatory and enabling accounting/social accounting through the lens of critical theory and a postcolonial perspective.

The study also carries out a content analysis of a number of corporate annual reports from the nine Arab countries. The analysis aims at exploring and bringing insights into the current level, extent and nature of social reporting practices in a number of Arab companies' annual reports (Chapter six elaborates further on content analysis as a research method and on the relevance of the analysis to this study, see also section 1.4.4.2 of this chapter). Furthermore, perspectives, attitudes and opinions on social accounting and accounting practices in general are sought from a number of



accountants, practitioners and academics in the Arab Republic of Syria (see chapter eight for a more detailed discussion on interviews as a research method and interviews' results and analysis. See also section 1.5.4.2 of this chapter).

## **1.5 Methodological Positions of the Study**

This section outlines the main philosophical assumptions adopted by the researcher in approaching this research study. These assumptions especially support the adoption of interpretive and critical methodological approaches with special emphasis on the use of qualitative research methods. Laughlin (1995) explains that any research study or project undertaken has underpinning philosophical assumptions that influence the decision of how to carry out the study. He also suggests that it is helpful to attempt to make them explicit to better co-ordinate the study, which the forthcoming sections of this chapter will attempt to do. Philosophical assumptions, according to Burrell and Morgan's (1979) framework, may be constructed in relation to two dimensions reflecting views regarding the nature of social science and the nature of society (Hopper and Powell, 1985).

### ***1.5.1 Assumptions Regarding the Nature of Social Science***

The social science dimension consists of four distinct but related elements: assumptions about ontology, epistemology, human nature and methodology (Hopper and Powell, 1985). Burrell and Morgan (1979) argue that interrelated ontological, epistemological and human nature assumptions have implications for any methodology chosen in a particular study, as differing ontology, epistemology and models of human nature will lead the researcher to differing methodological preferences (Burrell and Morgan, 1979, cited in O'Dwyer, 1999, p. 190).

Ontological assumptions relate to the nature of reality. Is the phenomena studied part of a concrete, external reality that is independent of human cognition? Or is the external social world only a product of individual subjectivism? (Chua, 1984; Hopper and Powell, 1985). Epistemology is concerned with the nature of knowledge and the basis of evidence that forms knowledge, and how it can be obtained and transmitted (Hopper and Powell 1985). At one extreme, knowledge can be acquired through observation and built up piecemeal (the objectivist position). At the other extreme, knowledge is attributed with a more subjective and personal nature (the subjectivist position) (Chua,

1984; Hopper and Powell, 1985). Assumptions about human nature refer to the relationship between human beings and their environment. Are people's behaviour and experiences completely determined and constrained by their external environment? Or are people potentially autonomous and free-willed in creating their own environment? (Hopper and Powell, 1985). Methodology 'refers to the way in which we approach problems and seek answers...[and] applies to how one conducts social research' (Taylor and Bogdan, 1984, p.1 cited in O'Dwyer, 1999, p.191).

Clearly the choice of methods will be influenced by prior assumptions about ontology, epistemology and human nature (Chua, 1984; Hopper and Powell, 1985). If the social world is treated as a concrete, external reality and treated as the same as the physical world, then research methods adopted aim to locate, explain and predict social regularities and patterns. As a result, techniques of statistical and quantitative analysis, including questionnaires and surveys, are often used to test hypotheses and analyse data collected by standard research instruments. On the other hand, if the social reality is seen to be created through the interaction with others, then methods, such as participant observation and in-depth interviews, that allow insights into an individual's inner world, are emphasised (Hopper and Powell, 1985).

### ***1.5.2 Assumptions Regarding the Nature of Society***

Burrell and Morgan (1979) defined two different approaches to assumptions about the nature of society. One approach refers to order, regulations and stability and explains the underlying unity and cohesiveness of society (the sociology of regulation). The other is concerned with finding explanations for the deep seated structural conflicts and the unequal distribution of power that provide a potential for radical change (sociology of radical change) (Hopper and Powell, 1985; O'Dwyer, 1999, Ryan *et al.*, 2002). This dimension can be usefully abbreviated to what orientation the associated schools take in respect of change. Laughlin (1995), for instance, emphasises the difference between approaches that place emphasis on seeking radical change and those approaches that tend in the opposite direction.

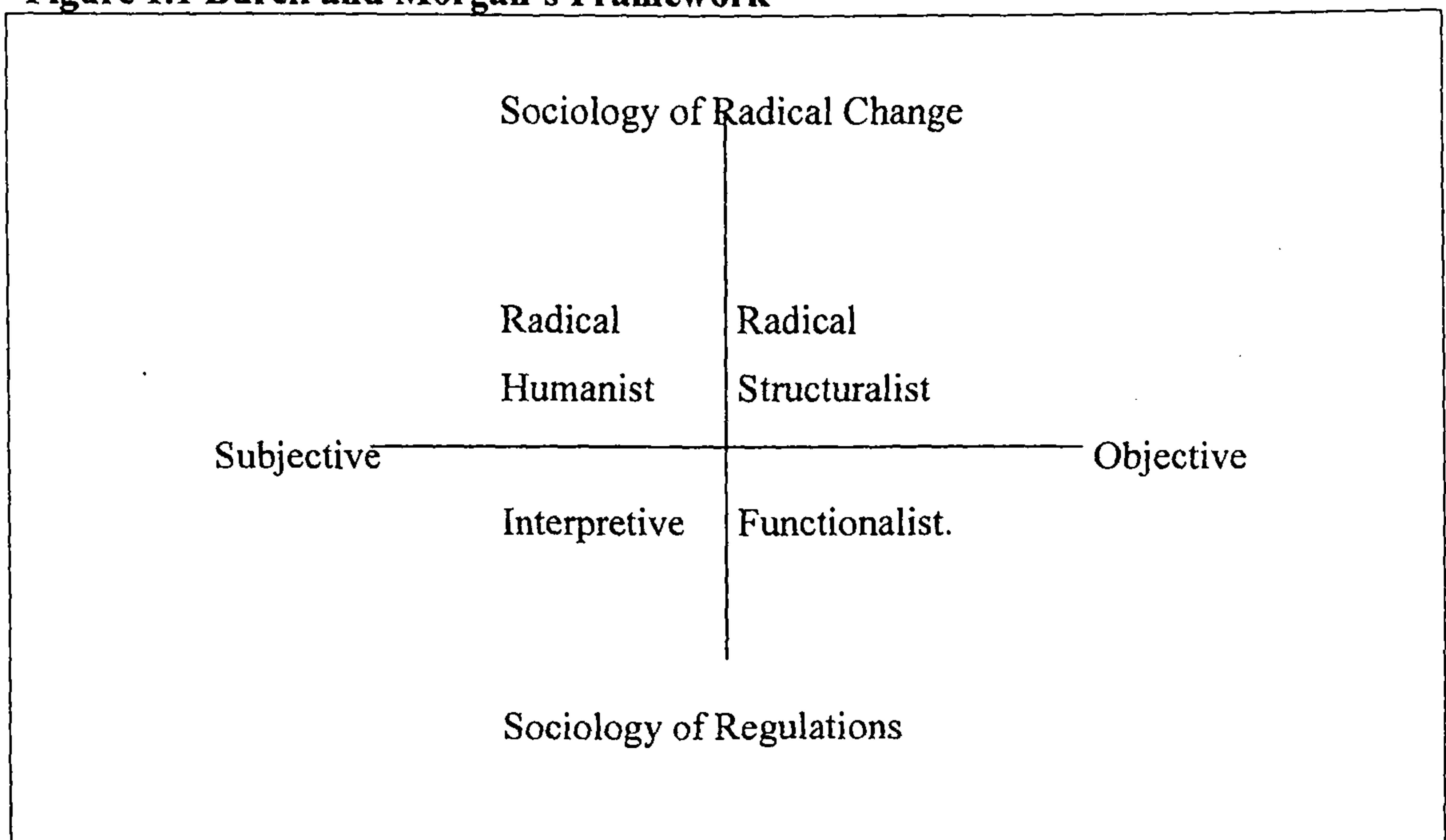
### ***1.5.3 The Middle-Range Approach***

In accounting research, Burrell and Morgan's (1979) framework for categorising approaches to empirical research by the methodological position they adopt, has been



very influential and has contributed to the enhancement of accounting research in general (Gallhofer and Haslam, 1997). The model suggests the relevance of two independent dimensions (continua). Assumptions about the nature of social science and the nature of society are combined in Burrell and Morgan's framework to form four paradigms they deem to be mutually exclusive: Functionalist, Interpretive, Radical structuralist and Radical Humanist (see Figure 1.1). Burrell and Morgan (1979) explain that the paradigms offer four different views of the social world based upon different meta-theoretical assumptions regarding the nature social science and of society. They suggest that one cannot operate in more than one paradigm at any given time as to operate in one paradigm you have to refuse the assumptions of other paradigms (O'Dwyer, 1999).

**Figure 1.1 Burrell and Morgan's Framework**



Source: Burrell and Morgan (1979, p.22).

Burrell and Morgan (1979) framework, however, has been criticised in accounting research.<sup>5</sup> The way that the framework suggests mutually exclusive methodological categories or boxes has led followers of different perspectives away from engagement in constructive dialogue (Gallhofer and Haslam, 1997).<sup>6</sup> Ryan *et al.*, (2002) explains that although the Burrell and Morgan framework provides a useful overview and an initial

<sup>6</sup> The view that positions in different paradigms are mutually exclusive may be considered controversial vis-à-vis the view that the two dimensions constitute continua (as emphasised by e.g. the adaptation of Laughlin, 1995).

categorisation of accounting research, it does not identify certain other dimensions which need to be considered when discussing methodologies, especially in accounting research. Chua (1994, p.3) explains that Burrell and Morgan's classification shown in figure 1.1 is problematic when applied to accounting research. She explains that first, the objective-subjective dimension actually subsumes four sub dimensions that do not relate well to one another.<sup>7</sup> Ryan *et al.* (2002, p.44) explain that the distinction between the subjective and the objective is problematic. They argue that 'the human agency is inherently subjective, but can create social structures which then become externalised and, as such, capable of objective analysis'. Laughlin (1995), according to Ryan *et al.* (2002), starts from the Burrell and Morgan framework, but he avoids the subjective-objective dimension, and instead produces a three-dimensional framework labelled theory, methodology and change. Laughlin (1995) proposes that it is possible to have a 'middle-range' approach or thinking where a researcher or investigator takes an approach in regard to three choices (in respect of theory, methodology and change) that should be made before undertaking any empirical research.<sup>8</sup> Laughlin (1995) explains that choice in regard to theory involves a view about ontological and epistemological issues. It refers to the level of theorisation prior to the research. Choice in relation to methodology involves taking a decision on the nature and role of the observer in the discovery process emphasising assumptions about (human nature) and the level of theoretical formality in defining the nature of the discovery methods (methodology). Both the theory choice and the methodology choice form part of the assumptions in relation of the nature of social or human science. The choice regarding 'change' involves taking a position on whether the investigation basically aims to achieve change in the phenomenon or phenomena being investigated. This third choice is related to Burrell and Morgan's assumptions about the nature of society. Laughlin (1995, p.68) suggests that it is possible and helpful to think of these three choices ranging from high to low.

'The 'theory' dimension refers to high to low levels of usage of prior theorising before undertaking any investigation. The 'methodology' dimension ranges from high to low levels of theoretical closure on the methods of investigation. The 'change' dimension relates to high to low

<sup>7</sup> Further more Chua (1994) explains that the words 'functionalist', 'radical', 'humanist' and 'radical structuralist' have particular connotations in sociology which may not be appropriated in accounting. She cautions that the available accounting literature that is to be surveyed does not exactly parallel the 'ways of seeing' implicit in Burrell and Morgan's classification (Chua, 1994, p.4).

<sup>8</sup> Laughlin (1995) in effect develops Burrell and Morgan's framework. One way in which he does this may be briefly summarised in terms of adding an extra dimension to Burrell and Morgan's framework derived from Burrell and Morgan's two dimensions.



levels of critique with regard to the status quo and the need for change in the phenomena being investigated. Even though it is possible to describe these continuums in these simple terms it is important to stress that each includes an amalgam of quite complex variables as the above detailed descriptions indicate. It is also important to stress that the description 'high', 'medium' and 'low' are not precise, definite or measurable' (Laughlin, 1995, p.68).

As far as methodological and theory assumptions are concerned, the Middle-range approach 'recognises a material reality distinct from our interpretation while at the same time does not dismiss the inevitable bias in models of understandings' (Laughlin, 1995, p.81). The approach also recognises that generalisations about reality are possible even though not guaranteed, yet maintains that these will always be 'skeletal' requiring empirical detail to make them meaningful (Laughlin, 1995, p.81). In this sense, 'the empirical detail is of vital importance. It complements and completes the 'skeletal' theory' (Laughlin, 1995, p.81). The methodological choice in the 'middle-range' approach assumes that the perceptual rules are made public and clear, but their nature is 'skeletal' encouraging and allowing flexibility and diversity in the discovering process - in other words, it is part constrained and part free. The middle-range position also allows for a more balanced and sophisticated approach to change. The position recognises that there may be situations where critique and, therefore, change are important, but there are also those situations where change is not important (Laughlin, 1995, p.82). This 'conditional' approach to change and critique imply that there is openness to radical change as well as the maintenance of the *status quo* or dimensions thereof (Ryan *et al.*, 2002).

#### ***1.5.4 Philosophical Assumptions Underpinning this Study***

The theoretical framework in this study aids the research in understanding social objects through a study of their historical development (Chua, 1986). This study adopts a critical approach to analysing and understanding accounting that perceives accounting as a social phenomenon that has significant social powers. Accounting, it will be argued in this study, plays, actually and potentially, both a repressive and emancipatory role in societies (see Gallhofer and Haslam, 2003). We can illustrate the nature of these tendencies by reference to the repressive actuality of accounting and the emancipatory potential of accounting. Accounting is repressive when it is mobilised to enhance the current global capitalistic order of conflict, inconsistency and injustice and/or to counter any radical attempts for bringing change to that order. Accounting has an emancipatory and empowering potential in society when it is mobilised to challenge and go beyond

conventional accounting in order to create a fairer, more just, society through engagement with praxis (for discussion aligning social accounting with the idea of emancipation see Tinker, 1984a,b, 1985, Owen *et al.*, 1997, Gray, 1999, Bebbington, 2001; Gallhofer and Haslam, 2003). This study, therefore, attempts to go beyond the conventional understandings that reduce accounting to a relatively technical, non-problematic practice of recording and reporting the facts that are simply to be recorded and reported (Hopwood, 1983; Gallhofer and Haslam, 2003). Accounting, alternatively, is conceived as a social phenomenon that emerges and itself gives rise to the wider context in which it operates (see also Tinker, 1984c, 1988; Lehman and Tinker, 1987; Gallhofer and Haslam, 1991; Lehman, 1999, 2001; Gallhofer and Haslam, 2003). The study, recognising this socio-political nature of accounting, attempts to explore accounting/social accounting practices in the context of the nine postcolonial Arab Middle Eastern countries. The experience of Western colonialism has had serious effects on the lives of the coloniser and the colonised (Bahri, 2000). Colonialism has had consequences on the identity, culture, language and education of the colonised. Colonialism and imperialism Gandhi (1998, p.16) argues is a 'historical process whereby the "West" attempts to cancel or negate the cultural differences and value of "non-West"'. New forms of imperialism are today contributing to the continued domination of Western formulations in most fields, including accounting. Universalism in any field has become to mean the spread of Eurocentric practices and ideas in that field. Postcolonial theory, in this context, signifies a position against imperialism and Eurocentrism. The theoretical framework for the purpose of this study extends critical accounting school debates to incorporate insights from postcolonial theory in order to gain reliable and perceptive knowledge about accounting in the Arab postcolonial world (see Bernstein, 1976). These insights aid the study in problematising the universal validity of Western practices and institutions and in challenging this domination by giving a voice to Arab accountants and bring insights from the Arab world culture and values. To do so, the study, in addition to observation and research of regularities for obtaining insights into the Arab world experience with accounting/social accounting, the researcher needs to rely on voices and interpretations of information. This is done through extensive quotes, present themes that reflect words used by informants, and advance different perspectives in relation to each theme (Creswell, 1998).



#### 1.5.4.1 Ontological, Epistemological and nature of society assumptions

Consistent with the above, the study employs an interpretive approach to research. In addition, the study proposes that the theoretical framework discussed in section 1.5.4 has a critical imperative: 'in particular the identification and removal of domination and ideological practices' (Chua, 1986). Consequently, the ontological assumptions of this study equate substantially to conceiving reality to be constructed by individuals involved in the research situation and conceiving that multiple realities exist, such as that of the researcher, those of individuals being investigated, and those of the readers or audience interpreting the study (Creswell, 1998). As for the epistemological assumptions, knowledge is obtained in this study through interaction with individuals who are involved in the study, and through seeking their inner perspectives in the subject studied, and not only from observation and research of regularities. Knowledge, therefore, is attributed a more personal nature (Chua, 1984; Hopper and Powell, 1985).

This study is concerned with forming a critique of the status quo of accounting in the nine Arab countries in the study, where the global order and the underlying effects of capitalism and imperialism are questioned. Accounting and social accounting, in this regard, are also recognised to be playing a repressive role in the Arab societies through legitimising the current socio-political order and preserving the current nature of the relationship between East and West, where Western perceptions and ways of doings are portrayed as the best of all possible worlds. This situation could delimit the ability of Arab countries to develop and employ forms of accounting/social accounting that would better the social conditions in these societies. The study attempts to prescribe a way forward for changing and bringing alternatives to the status quo through the engagement with praxis, on national and international levels (*supra*). The study in this sense is mainly oriented towards the 'sociology of radical change', where the end goal is social theorising, which Morrow and Brown (1994) suggest to be the desire to comprehend and, in some case, transform (through praxis) the underlying orders of social life, those social and systematic relations that constitute society. In the meantime, however, the researcher believes that there are good aspects of the status quo that can be developed to serve the 'betterment' of accounting practice.

#### 1.5.4.2 Methodological Assumptions

The methodological assumptions, as mentioned earlier, are concerned with adopting the 'most appropriate' methods of gathering data and approaching the research questions. Typically, the subjective and interpretative orientations, as followed in the case of this study, emphasises qualitative<sup>9</sup> rather than quantitative<sup>10</sup> methods. Nonetheless, the relationship is not so straight-forward (Hopper and Powell 1985). Furthermore, what is important to consider is that the form of inquiry adopted in any investigation should not be shaped simply by a commitment to particular research methods for their own sake, but should be logically consistent and appropriate given the aims of the research and the values and assumptions that lie behind it (Morgan and Smircich, 1980, cited in Hopper and Powell, 1985). This research study employs two methods of data collection in order to satisfy the objectives and research questions of the study.

(1) Content analysis of corporate annual reports from the nine Arab countries. Content analysis involves codifying the text (content) of a piece of writing into various groups (or categories) depending on selected criteria (Weber, 1988, cited in O'Dwyer, 1999). It is often connected to quantitative research methods (O'Dwyer, 1999). Nonetheless, and while content analysis in this research contains a number of categories for assessment, the research goes beyond the checklist approach in the content analysis studies to the critical analysis of the contents of these categories and the implications of this analysis to the study. While a level of generalisation could be obtained from the analysis, the main objective is to question the quality of social information contained in these reports and to explore how the social reporting of Arab companies can be improved so that it contributes to the betterment of Arab societies. Sixty eight annual reports from the nine Arab countries in the Middle East were obtained and assessed according to a research instrument developed for the purpose of this study (see chapter six).

(2) In-depth interviews allow the researcher to encourage interviewees to relate, in their own terms, experiences and attitudes that are relevant to the study (Denzin and

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<sup>9</sup> Qualitative methodology refers to 'research that produces descriptive data: people's own written words and observable behaviour' (Taylor and Bogdan, 1984, p.5, cited in O'Dwyer, 1999, p.209).



Lincoln, 2000). This study is orientated towards a nominalistic and subjective approach, where knowledge attributed to personal nature and individuals form an important role in constructing reality (Hopper and Powell, 1985). Therefore, this study is interested in seeking and locating the opinions, attitudes and perspectives among a certain group of people (Syrian accountants) towards social accounting and the betterment of social accounting practices in society. The study recognises the importance of these interviews for understanding the context of current practice. Furthermore, the study also recognises that the opinions and perspectives of these groups of people are a dimension of what matters when a change is needed to better accounting. Therefore, for these interviews to achieve their aim, semi-structured forms of interview are used whereby interviews are modelled to form a number of questions but also take the form of a more open conversation between two people, the researcher and the interviewee, with a view to capturing what is important in the minds of the subjects themselves. In this sense, the interviews are opened to any volunteered statements made by interviewees (Creswell, 1998), (See chapter eight).

## **1.6 Structure of the Study**

As elaborated earlier, the study's main objective is to critically explore and appreciate social accounting and reporting in a number of Arab Middle Eastern countries with an emphasis on the case of Syria. The study is organised into nine chapters. *Chapter two* is concerned to present the theoretical framework underpinning the study. The chapter begins with a review and critique of the mainstream approach to theorising social accounting in the English speaking literature. The chapter then moves on to present debates under the critical accounting school approach and postcolonial theory. The chapter illustrates how postcolonial theory can enrich debates in accounting/social accounting in the postcolonial world of the Arab Middle East and beyond. *Chapter three* outlines main debates in the Western English speaking literature, which has a significant influence on practices in the Arab world, regarding corporate social responsibility and social accounting and reporting and provides a critique of recent developments and manifestations in the Western context. *Chapter four* concentrates on bringing insights into how Islamic Sharia and teachings, which have a significant impact on everyday life in the Arab Middle East, impact upon the relationship between

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<sup>10</sup> Quantitative methodology broadly refers to research that emphasises 'the measurement and analysis of casual relationships between variables [with] inquiry ... purported to be within a value-free framework' (Denzin and Lincoln, 1994, p.4, cited in O'Dwyer, 1999, p. 212).

society and business and elaborates upon the supposed implications of this relationship for accounting. *Chapter five* provides a contextual analysis of the nine Arab countries in the study. The analysis highlights key social, political and economic factors that have a major influence on the way that accounting/social accounting is regulated and practised in the nine countries. *Chapter six* covers the content analysis research findings, where sixty-eight annual reports from the nine Arab countries are surveyed to critically assess the level, nature and quality of social reporting in these annual reports. *Chapter seven* provides a contextual analysis of the socio-political and economic context in Syria. The chapter, furthermore, provides an analysis of key contextual factors that affect accounting/social accounting regulations and practices in Syria. *Chapter eight* reports on the in-depth, semi-structured, face-to-face interviews findings. The interviews seek the opinions, attitudes and perceptions of nineteen Syrian accountants towards social accounting. *Chapter nine* delivers the final conclusions and the findings of the study and brings forth a vision and prescription for bettering social accounting practices in the nine Arab countries and beyond.



## Chapter Two

### **Theorising Social Accounting in a Number of Arab Countries: Critical Insights from a Postcolonial Perspective**

#### **2.1 Introduction**

Chapter two is concerned with developing a theoretical framework for the study of social accounting in a number of Arab countries in the Middle East. This theoretical framework mainly adopts the critical school debates for the exploration, understanding and the betterment of social accounting in a number of Arab Middle Eastern countries. The framework builds particularly, although not exclusively, on Gallhofer and Haslam's (2003) vision and debates regarding the emancipatory and enabling potentials of accounting/social accounting. The study, in addition, attempts to extend the use of critical theory to address the needs and concerns of, and accommodate insights from a non-western culture and philosophy, that is of the Arab Middle East. The extension encompasses debates and insights from postcolonial theory and studies deemed to help in the critical analysis and understanding of social accounting practices (or non-practices) in the Arab Middle East and the influence that Western practices have on the nature and level of accounting and social accounting in the postcolonial world of the Arab Middle East.<sup>11</sup> In addition, the study will be concerned to furnish material for the challenge of this dominance of western practices through giving a voice and a value to these countries' cultural perspectives.

The chapter commences by critically discussing main theoretical approaches mobilised by mainstream social accounting literature for exploring and explaining corporate social reporting practices. The chapter then moves on to highlight main approaches and debates adopted by the critical accounting school towards theorising accounting/social accounting and reporting. This is followed by an illustration of key debates in respect of postcolonial theory and how these debates have been previously used in accounting research. Finally, the chapter discusses the potential of postcolonial theory, as integral to a critical approach, for the exploration and analysis of social accounting and reporting practices in the Arab Middle Eastern countries included in this study. The discussion also attempts to illustrate how the framework would help in prescribing a way forward

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<sup>11</sup> Chapter three will provide a discussion on some overlap between social accounting as understood for the purpose of this analysis and more conventional accounting.

for the betterment of these practices and the development of a radical social accounting that plays an emancipatory and enabling role in the Arab countries of the Middle East, as well as allowing these countries to have a 'voice' on the global level.

## 2.2 Theorising Social Accounting

Accounting's role in society in conventional understandings is largely reduced to a relatively technical unproblematic practice of recording and reporting the facts that are simply to be recorded and reported. The main part of its scope according to these understandings, are activities such as assessing costs and benefits of organisational actions, the setting of financial standards and norms, the representation and reporting of organisational performance and financial planning and control (Hopwood, 1983; Gallhofer and Haslam 2003). Accounting, in accordance with these understandings, appears, as Gallhofer and Haslam (2003, p1) explain, 'to be viewed as virtually an asocial and apolitical practice'. At the same time, conventional accounting, in current structure, prioritises the economic considerations of owners of finance over social considerations of other stakeholders in society. This conventional accounting, accordingly, through largely ignoring and displacing the social (and environmental) dimensions and impacts of business, encourages an array of economic, social, political and environmental consequences and manifestations including, for instance, the suppression of labour or the encouraging of environmental degradation (Gray, 2001). This accounting helps in legitimising the current socio-political order, even tending to portray this order, a La Pangloss<sup>12</sup>, to be the best of all possible worlds (Lowe *et al.*, 1991; Gallhofer and Haslam, 2003), rather than challenging this order or attempting to develop alternative worlds (with alternative accounting practices). In recent years, however, understanding of the role of accounting as a social technology and a form of social power has been well-established (Boyce, 1998). Accounting is increasingly seen as a social rather than a purely technical phenomenon, its social context is increasingly recognised and taken to be more problematic. The ways in which accounting both emerges from and itself gives rise to the wider context in which it operates have been coming to be appreciated (Gallhofer and Haslam, 1991).

Nevertheless, as Hopwood (1983) suggested, in a point that still retains some resonance or substance, despite such apparent realisation of the intertwining of accounting with the

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<sup>12</sup> Dr. Pangloss, a character in Voltaire's *Candida*.



social, relatively little is known of the social functioning of the accounting craft. Accounting is still, to a large extent, embedded in the realm of the technical. Although it is now recognised that the social can influence the technical practice of accounting and that, in turn, can mobilise and change the world of the social, the processes by which these intersections take place have been subject to hardly any investigation (see Hopwood, 1983 and Lowe *et al.*, 1991). To date, as Gallhofer and Haslam (1991) explain, the relationship of accounting to the social has tended to be stated and presumed rather than described and analysed. Further, in general, a substantive concern with ethics has been considered too difficult to be of concern to accountants. In other words, accounting and accountants focus on a narrow technicism in relation to notions such as 'how best to report corporate profit', while giving little consideration to the social and philosophical nature of events and transactions (Lowe *et al.*, 1991; Gallhofer *et al.*, 1998). For example, issues of accountability are submerged beneath the criterion of decision usefulness, which has been viewed in such a way that it limits the role of accounting in the community, thereby providing an implicit justification for the notion that the market properly acts as the final arbiter on issues of justice and efficiency (Gallhofer *et al.*, 1998). Not surprisingly then, accounting is conceived as one of the least developed areas of corporate response to the demand for the current sustainability and corporate responsibility agenda (Gray and Bebbington, 1994). It is not surprising, furthermore, to find that, according to relatively recent surveys, most accountants do not consider environmental and social issues relevant to their profession. In a survey of Australian accountants, one accountant was cited as saying that the environment "is not a matter for the accounting profession" (Deegan *et al.*, 1996, cited in Medley, 1997). In another questionnaire survey, carried out by Gray and Bebbington (1994), accounting and finance did not appear as central issues in companies' responses to the sustainability agenda.

Despite the slow move towards the realisation of accounting's social potential, attempts have been made and proposals have emerged for accounting to embrace the realm of the social as well as the economic, e.g. to give qualitative and quantitative disclosure and thereby give a particular insight into the social functioning of organisations. To this end, Gallhofer *et al.* (1999) explain that attempts have been made to orchestrate social accountings, social reports, social audits, socio-economic statements, social cost-benefit analyses and human resource accounting. The social accounting project, accordingly, can be understood to have developed at a remarkable pace (Dey, 2001). It is still

questionable, however, how successful this project has been in embracing the social as well as the economic in the business realm. After all, current social accounting and reporting is in large part a manifestation of contemporary corporate social responsibility. As discussed earlier, the latter has been criticised for failing to move discussions of social responsibility away from the classically focused economic perspective and for being a kind of smokescreen to serve more problematic interests (O'Dwyer, 1999). Social accounting has been mobilised to serve businesses' conventional financial goal of maximising profit or shareholders value. Therefore, the emancipatory potential of social accounting, as Gallhofer and Haslam (2003, p131) explain, 'has been displaced through a counter radical social accounting that is geared to the protection or enhancement of a repressive socio-political order'. Social accounting, thus, so far, has failed to adequately challenge the deficiencies of conventional accounting in serving society at large.

While the social accounting project embraces the potential for a virtually infinite variety of possible understandings, it is at the same time seen as unsystematic and not well established (Gray *et al.*, 1998; Gray, 1999). Little in the way of universal agreement on the rationale behind social accounting and reporting has manifested (Milne *et al.*, 1999). Social accounting, furthermore, lacks an agreed theoretical framework (Gray *et al.*, 1995, cited in O'Dwyer, 1999), which has led to a lack of substantive, systematic conclusions about its practice (or non-practice) (O'Dwyer, 1999, p.131). Theorising social accounting and reporting has been approached from a variety of positions (Gray *et al.*, 1988). Among these are the 'middle-ground approach', as known in the literature by its proponents and opponents (Gallhofer and Haslam, 2003), and the 'alternative/radical approach'.

### ***2.2.1 The Middle Ground Approach***

Gray *et al.*, (1988) claim that the vast majority of literature on social accounting falls into what is called the 'middle ground' approach. For the middle-ground approach, the status quo is accepted and the approach ambition is neither to destroy capitalism nor to deregulate and/or liberate it (Gray *et al.*, 1988). Middle-ground research, according to Gray *et al.* (1988, p.9), falls into the following three categories:



1. Studies that assume that the purpose of CSR and social accounting is to enhance the corporate image;
2. Studies that assume that the purpose of CSR or social accounting is to discharge an organisation's accountability under the assumption that a social contract exists between the organisation and society. The existence of this social contract demands the discharge of social accountability;
3. Studies that assume that CSR and social accounting constitute effectively an extension of traditional financial reporting and its purpose of informing investors. (This last theme falls between the other two themes and overlaps with them).

A number of theories proposed in the literature can be classified in these groupings. These mainly include stakeholder theory and legitimacy theory (O'Dwyer, 1999).<sup>13</sup> Studies using these theories attempt to explain corporate social reporting and other features of the organisation-society relationship in terms other than an exclusive economic perspective (O'Dwyer, 1999). As such, they allow a concentration on the relationship(s) between organisations and the state, individuals and groups (Gray *et al.*, 1996). Mainstream theories focus on the influence that public pressure (from groups such as employees, the local community, customers, suppliers and other pressure groups) has on the provision of corporate social reporting disclosure (Neu *et al.*, 1998). In other words, Gray *et al.* (1996) explain that each of these theories is concerned with, on the one hand, the power of the society (or groups within it) to pressurise organisations into disclosure (whether through legislation or the threat of legislation) and on the other hand, the desire and ability of the organisation to use information (and particularly social and environmental accounting) to legitimate, to deflect criticism and to control the debate being held in the wider community. Stating the above reasons for corporations to disclose social information, explain Gray *et al.* (1996), should not eliminate the possibility that corporations may disclose for ethical reasons. Nevertheless, these theories, as Gray *et al.* (1996) suggest, do lead us to think that organisations are wishing to escape from public pressure from governments, environmentalists and others - using information and disclosure to achieve this. In short, while differences clearly exist among the different theories and approaches explaining social accounting and corporate social reporting under the middle ground approach, all

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<sup>13</sup>Gray *et al.*, (1995) suggest that stakeholder and legitimacy theory are overlapping perspectives 'Which are set within a framework of assumptions about 'political economy'' implying that the differences are 'in levels of resolution of perspective rather than arguments for and against competing theories as such' (cited in Neu *et al.*, 1998).

of them focus on the idea of a social contract between business and the individual members of society and suggest that, while the main aim of business is to maximise profits, business also has a moral obligation to society to act in a socially responsible manner. As a result, corporate management may attempt to influence perceptions that the public have of the organisation (O'Donovan, 1999).

Middle ground theories and studies have been criticised from the critical school perspective. The middle ground approach, according to the critical school theorists, while recognising a 'social reality' of struggle between structurally advantaged and disadvantaged groups, fails to tackle the social causes of the social and environmental crisis (Tinker *et al.*, 1991; Lehman 1999). According to Tinker *et al.* (1991) it fails to examine the basic contradictions and deficiencies of the social system under investigation, making this approach at best irrelevant and, at worst, adopting a stance of 'political quietism' that simply benefits the already powerful (i.e. the capitalist class). The Middle ground approach largely commits itself to a capitalistic and problematic polity by emphasising a liberal democratic framework (see Gray *et al.*, 1996), fails to take sides in social conflict and it overlooks much of the oppression and exploitation associated with the unequal wealth and power distribution in society (Tinker *et al.*, 1991, p.28). The middle ground perspective, according to the critical school, deals with symptoms and not causes (Owen *et al.*, 1997). Accordingly, research undertaken by the middle ground approach is, according to the critical school perspective, largely limited to technical problems such as: recognition, measurement, and disclosure of environmental and social assets and liabilities, rather than seeking to address the fundamental political and philosophical questions of the ways and means by which we are governed, monitored and regulated (Owen *et al.*, 1997, see also Tinker *et al.*, 1982; Tinker, 1988; Lowe *et al.*, 1991 on theorisation of accounting in general in mainstream literature).

Another point of criticism to the middle ground approach literature is that it has mainly concentrated on formal accounts prepared by organisations. This, middle ground theorists argue, is due to the notion that it is when the organisation is systematically preparing and communicating social and environmental information to its stakeholders that we have the most visible (and, potentially, the most powerful) form of social and environmental accounting (Gray, 2000, p. 12). These accounts, Gray (2000, p. 12)



explains, could be labelled 'social reports', 'environmental reports' or 'sustainability reports', but also could include the whole panoply of data that organisations reveal about themselves, whether voluntarily or under coercion. The critical school theorists, on the other hand, point out that the dominant perspective of the middle ground approach of promoting social accounting as mainly accounts prepared by organisations, is privileging the role of the corporation, which prioritises shareholders' interests as an agent of social change, and ignores the role of the state and the wider public sphere (Lehman, 1999). Furthermore, Gallhofer and Haslam (2003) argue that this dominance of business social accounting in the academic mainstream discourse in recent decades is reinforcing the public-private dichotomy, which can displace the public sector from attention. This public-private dichotomy, in addition, does not encourage the possibility of comparing and contrasting the accountings, including social accountings, of a variety of organisations, whatever be their legal structure of ownership.

Another concern regarding approaches to theorising and promoting social accounting in the mainstream literature is the way social accounting is proclaimed as 'new' in the discourse, while conventional accounting meanwhile is generally understood as 'traditional' (Gallhofer and Haslam, 2003). Gallhofer and Haslam (2003, p.150) argue that contrary to these representations 'social accounting has a long history'. For instance, interventions in Europe centuries ago that fused 'statistics' and 'accounting', and aimed at mobilising accounting for the purpose of social betterment, can be understood as social accounting interventions. One can delineate this type of intervention, they suggest, 'in the context of seventeenth century rationalism and its eighteenth century legacy' (see Gallhofer and Haslam 2003: 150 for more details on social manifestations of accounting in the 17<sup>th</sup> and 18<sup>th</sup> century). Gallhofer and Haslam (2003, p. 151) note that while placing stress on the 'newness' can be positive by emphasising the sense of being involved in something new, de-emphasising social accounting's historical continuities threatens to conceivably delay or render overly cautious its adoption or make it easier to pull out of, if adopted. They argue that one can more easily characterise social accounting as immature, marginal, amateur and/or eccentric. To displace attention from how old an idea is can reduce its 'weight'. They highlight the benefits of perceiving social accounting as a continuous activity rather than a new one:

‘Conveying the sense of there having been calls for a social accounting for a long time and arguing that by now many might have benefited from its adoption could bolster the case for it. To conceive of social accounting as new may lead one to overlook the insights that one could gain from a historical study as the longevity of an institution and practice can add to its value in many cultures, including Britain’ (Gallhofer and Haslam, 2003, p.150).

Promoters of social accounting suggest that considering social accounting in a historical context as a phenomenon that has historical roots can positively be mobilised to demonstrate that the struggle for democracy to inform and empower the people in respect of the functioning of social institutions and the emancipatory potential of some forms of social accounting have a long history (Gallhofer and Haslam, 2003).

The above arguments in respect of the way that social accounting is conceived and theorised under the middle ground approach lead us to question its ability under such an approach to be enabling and emancipatory. This is because, as Tinker *et al* (1991, p.29) suggest, the middle-ground approach ‘champions the *status quo*’ and denigrates the importance of accounting in shaping social affairs. Social accounting, in this sense, the critical school theorists suggest, has been captured by the current capitalist system and the conventional accounting ideology, which results in the enhancement of the corporate image and the legitimisation of the current system and its powerful corporations since they can point to their existence as evidence of their openness and their concern to listening to criticism (Owen *et al.*, 1997).

This study wishes to avoid the middle ground approach and the pluralistic perspective<sup>14</sup> tendency to limit the comprehensiveness of research and to displace important issues from analysis (Lowe *et al.*, 1991). Consequently, this study will emphasise a critical approach to theorising, studying and analysing social accounting in the Arab world, attempting, in the meantime, to expand the critical perspective to encompass the particular context of the postcolonial world of the Arab Middle East.

### ***2.2.2 The Alternative/Critical Approach***

The argument of the alternative/critical approach is built on the view that conflict is structured. Scientifically, unlike pluralism, a conflict-based view admits the possibility that social conflict is not a contest between equals, but involves struggle between

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<sup>14</sup> On which the Middle ground approach is built.



structurally advantaged and disadvantaged groups (Fox, 1971, cited in Tilt, 2000; Tinker *et al.*, 1991). The critical view challenges the injustice and inequalities of modern life and calls for new and empowering democracy that accounting could serve through satisfying accountability (Gray, 1999). This approach, therefore, challenges the 'quietist' commitment of the middle-ground approach that undermines the importance of shaping social affairs: 'If we wanted to change the world, we would not start with accounting' (Gray *et al.*, 1987, p. 200, cited in Tinker *et al.*, 1991, p.29). The critical appreciation of accounting in academic discourse develops, therefore, out of a way of seeing accounting as a social and political practice, a way of seeing that goes beyond prevalent perspectives of accounting as apolitical. The predominant understanding of this critique, therefore, is that accounting functions repressively in society (Gallhofer and Haslam, 2003). To this end, the repressive role and position of accounting eventually results in helping to sustain the basic features of a problematic capitalistic society. Accounting is treated in this regard as effectively serving its underlying political hegemony. Accounting practice in a capitalist society has, accordingly, come to be viewed as an ideological state apparatus, helping the hegemony of the Capitalist State to re/produce the political structure (Gallhofer and Haslam, 1991).

Critical research on many occasions has pointed out how accounting has been captured by hegemonic repressive and problematic forces (Gallhofer and Haslam, 2003). For instance, accounting, through what it informs about and brings attention to, and through what it fails to inform about and displaces from attention, has arguably failed to properly serve the whole community or the 'public interest'-in contradiction with the claim of the accountancy profession on behalf of the state. Rather, accounting has helped to sustain and enhance a problematic social order by influencing people's attitudes, ways of thinking and behaviour (Hopwood, 1987; Lowe *et al.*, 1991; Gallhofer and Haslam, 2003). Boyce (1998) also points out how accounting on some occasions is used, or misused, in the active and problematic construction and transformation of organisational and social 'truths', including economic and political truths. Accounting, in this regard, may ironically contribute to rendering the more negative effects and dimensions of business invisible. It could also play an ideological role by downplaying business's negative ecological impacts (Maunder and Burritt 1991, cited in Boyce, 1998). Another example is the failure of accounting systems to recognise humans as assets, or even more so, as people, rather than costs, which might engender in the context of short-term profit orientation decisions to lay off staff, which



may lead to negative consequences in the more long-term economic context (Thompson, 1999).

While most critical theoretical appreciations have predominantly played the role of highlighting the repressive potential of accounting in society, a branch of this critique illustrates the potential of accounting to play an emancipatory role as part of a broader critical praxis (Gallhofer and Haslam, 2003 p.5, see also Tinker, 1984a,b; 1985). The emancipatory role of accounting has been viewed in terms of its dialectical potential that could help an emancipatory project to overcome repressive obstacles so that a better state is realised (Gallhofer and Haslam, 2003, see also Tinker 1984a, b; Gray *et al.*, 1997). Gallhofer and Haslam (2003, p.7) explain:

‘A vision of accounting as an emancipatory force is consistent with seeing accounting as a communicative social practice that functions as a system of informing that renders transparent and enlightens with the effect of social betterment. It is a vision in which a progressive community comes to control accounting rather than be controlled by it, a reflection of a proper accountability’.

Accounting, accordingly, through its role as a social interaction medium could contribute to the elimination of a gap between an actual experience of alienation and a potential state envisaged beyond this problematic experience (Gallhofer and Haslam, 2003, p.7). Crucial for the realisation of this emancipatory accounting, according to Gallhofer and Haslam (2003), is engagement with praxis. Elements of praxis can constitute the mobilisation of counter information systems or counter accounting to pressurise governments and the accounting profession towards change in respect of accounting. This could be done by, for instance, reminding these institutions of their claim to function in the public interest and attempting to get them to face up to that challenge more seriously. Another element of praxis that one can engage in is accounting education and research, which can help stimulate emancipatory engagement in and through accounting and suggest insights for such engagement. Critical, interpretative and contextual analysis is especially emphasised here (Tinker, 1985; Gallhofer and Haslam, 2003). Relevant to praxis is also bringing about public awareness so people would see accounting differently in terms of its emancipatory dimension and potential.



As far as social accounting is specifically concerned, Gallhofer and Haslam (2003) suggest that it has the potential to be both repressive and emancipatory. Critical perspectives caution that social accounting can have a repressive potential to the extent that if this accounting is captured by problematic forces intent on countering the push towards radical progress. Such 'counter social accounting', as Gallhofer and Haslam (2003) call it, while meeting the criteria for being categorised as social accounting (see chapter 3) helps in preserving or even enhancing the current socio-economic political order rather than challenging it. Gallhofer and Haslam (2003) explain that social accounting manifestations can fall between two opposite orientations, 'emancipatory/radical' and 'repressive/counter radical' social accountings. Taking the example of mainstream social accounting elaborated in the literature and emerging in the context of late Twentieth Century, Gallhofer and Haslam (2003, p.115) elucidate:

'This type of social accounting, while arguably highly prone to capture by hegemonic forces – the real connotation of 'falling down the hole' – is arguably better theorised as 'mildly progressive' than as 'middle of the road' in terms of the above schema. It is, however, one of the varieties between our two more 'extreme' tendencies...If mainstream social accounting at a general level of resolution has much in common with at least some versions of radical social accounting, it has been characterised by its less radical orientation to the socio-political order'.

Alternatively, the emancipatory potential of social accounting, Gallhofer and Haslam (2003, p.114) argue, is possible under a 'Marxist orientated advocacy' of a radical social accounting, that is concerned to challenge financial economic dimensions of existing accountings as well as go beyond these accountings. An emancipatory accounting or social accounting project inspired by Marxism can build on Marx's attempts to unfold the inner contradictions of the socio-politico-historical structure that supports the capitalistic modes of production (Tinker, 2004). Such a project does not limit itself to self-and-state regulation, but also, among other things, to education; employee selection; the composition of educational programmes; the organisational structure of the firm; the training of educators and the range of permitted products and services that firms can offer (Tinker, 2004, p. 464; see also Lehman, 1999, 2001; Tinker *et al.*, 1991; Tinker, 2001).

This study in its attempt to theorise, understand and better social accounting and reporting practices in a number of Arab countries builds on the critical school's arguments, particularly as elaborated or developed by Gallhofer and Haslam's (2003),



regarding the 'emancipatory/radical' and 'repressive/counter radical' actualities and potentials of social accounting and reporting manifestations. This study will use this framework in providing a critique of contemporary corporate social responsibility and social accounting in the influential Western context. The theoretical framework will also aid the study in exploring and understanding the current social accounting and reporting manifestations in the nine Arab countries, as well as using the framework for prescribing a way forward for the betterment of social accounting in these countries through the engagement with praxis. The study, however, will next extend this framework to encompass some aspects of the particular context of the Arab world especially by bringing debates from postcolonial theory and studies that can help in explaining and understanding social accounting and reporting practices in the Arab Middle East in light of its colonial experience. Postcolonial theory and debates would also aid the study in bringing insights from and give a voice to the particular culture and philosophy of the Arab world. Postcolonialism allows for the use of these insights for envisioning a way-forward for the betterment of social accounting and reporting practices in these countries, and allow their voice to be heard on the global level.

### **2.3 Extending Critical Theorising of Social Accounting with an insight from a postcolonial perspective.**

Critical accounting research draws significantly from Marxism, German critical theory and French critical theory (see Puxty, 1986, 1991; Tinker *et al.*, 1991; Gallhofer and Haslam, 2003) to theorise accounting's social constitutions and consequences (Gallhofer and Haslam, 1997)- in addition to related perspectives such as the feminist (e.g. Cooper, 1992) and the green or deep green perspectives (e.g. Maunders and Burritt, 1991). As far as social accounting research is concerned, it could be argued that the critical perspectives are dominated by Marxist oriented perspectives, especially Marx's classical political economy theory (O'Dwyer, 1999). The political economy approach is concerned with exploration and assessing the ways various social protagonists use accounting information and corporate reporting to mediate, suppress, mystify and transform social conflict. The approach places class relations at the forefront of the analysis. Accordingly, it is concerned with the effects of accounting information and corporate reporting on the distribution of income, wealth, and power (Burchell *et al.*, 1980). These Socialist and Marxist approaches, along with the alternatives of pluralism and liberal economy affiliation, have been considered to be the substantive positions for analysing and reconstructing the Western world (Gray, 1992).



They are positions that are not necessarily suitable for analysing and addressing issues related to a non-western context and ideology, such as issues in respect of the postcolonial world of the Arab Middle East. Postcolonial critics argue that Marxism has failed to accommodate the specific political needs and experiences of the colonised world (Gandhi, 1998). This is because, as Said (1978, cited in Gandhi, 1998) would argue, Marxist Theory is blinded (like Marx himself) to the world outside Europe.

Postcolonial researchers draw attention to the Marxist thesis on socio-economic revolution, where Marx defends the emergence and spread of European capitalist or bourgeois society as the universal precondition for social revolution. In this context, Marx identifies European colonialism as the historical project that facilitates the globalisation of the capitalist mode of production and, thereby, the destruction of 'backward' or pre-capitalist forms of social organisations. The argument is illustrated further in statements made by Marx declaring that the benefits of British colonialism more than compensated for its violence and injustice (Gandhi, 1998):

'She was the unconscious tool of history, which raised India, in this instance, from its semi-barbaric state into the improved condition of modernity' (cited in Gandhi 1998, p. 33).

Furthermore, the Marxist approach to imperialism does not mainly relate to the relationship of metropolis to colony, but rather the competing of the various imperial and metropolitan nation-states among themselves (Jameson, 1990). The classical Marxist theories of imperialism in the main focused on the question of what it was about the capitalist system that drove it to extend geographically beyond its own borders. Marxist theorists were really only interested in the factors giving rise to imperialism. They gave little attention to the study of the effect of imperialism on the colonised overseas world<sup>15</sup> and the relationship between a generalised imperial subject (such as Britain, United States and France) and its various others or objects (Jameson, 1990; Hoogvelt, 1997). Postcolonial theorists, Gandhi (1998, p. 72) explains, consider Marxist's thesis in respect of the colonised world as 'ultimately and ethically flawed'. First, because its vision of progress is in line with nineteenth century assumptions of the fundamental inequality between East and the West. Second, because it views the

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<sup>15</sup> They generally took it for granted that export of capital was the same as export of capitalist relations of production, and that therefore capitalism overseas would everywhere work up the same social tensions and class conflicts (between bourgeoisie and proletariat) that the home variety was already doing at home (Hoogvelt, 1997).



colonised simply as the abstract illustration of a theory rather than an existential mass of suffering individuals. And finally, it is inadequate because Marx follows the subtle logic of the colonial civilising mission in postulating Europe as the saviour master-narrative, which will pronounce the redemption of, for instance, poor Asia. Thus, even socialism, as Fanon writes, becomes 'part of the prodigious adventure of the European spirit', or, to put this differently 'colonialism becomes a practical and theoretical requirement for the fulfilment of Marx's emancipatory vision' (Gandhi, 1998, p. 72). Therefore, Marxism, according to postcolonial critics promotes a historical horizon whose historical location is within a society and culture deeply enmeshed in imperial domination - '[y]et little notice is taken of this horizon, few acknowledgements of the setting are advanced, little realisation of the imperial closure itself is allowed for' (Said, 1993, p.66). Marxism, therefore, and according to Said (1993), has substantively avoided the major, determining, political horizon of modern western society, namely imperialism.<sup>16</sup>

The critical school and perspective in accounting has rarely acknowledged this problematic constraint to critical research and theory. Very few critical researchers discussed or highlighted the blindness of critical theory to the impact of imperialism and colonialism on the colonised world (some exceptions are Gallhofer et al., 1999, 2000; Neu 2000, 2000a, 2004; Chua and Poullaos, 2002; Annisette, 2000; 2004). Gallhofer and Haslam (1997, p74), in this context, highlighted the Western, masculine dominance in critical accounting research:

'Critical accounting research is dominated more than it would surely like to be by white, male, Western, Anglo-Saxon and middle class researchers. The perspective of, for example, women, the poor, the working class, ethnic minorities, those beyond the English-speaking world, those from 'developing' countries, those of the indigenous peoples, those of the

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<sup>16</sup> Similar observations to Marxism could be made in regard to other perspectives such as the poststructuralist/postmodernist. While postmodernism challenges the conceptual boundaries of the West from within Western culture, it remains culturally myopic with regard to the non-European world (Gandhi, 1998). For Turner (2000, p.12), postmodern philosophy offers a simultaneous condemnation of exploitative capitalism and bureaucratic socialism as 'grand narratives' that have imposed a barren sameness on the modern social world. It condemns the uniform, patriarchal, rationalist and hierarchical structures of Western modernism. Postmodernism suggests a new vision to justice that gives primacy to difference, to heterogeneity, to paradox and contradiction, and to local knowledge. This is why, Turner (2000) explains, postmodernism found important allies in disciplines such as feminism and anti-colonialism. Nonetheless, as far as Islam is specifically concerned, despite the notion that postmodernists such as Nietzsche and Foucault looked towards Islam as a means of critically attacking aspects of Western culture of which they disapproved, Islam in postmodern discourse may be regarded as itself a 'grand narrative' of religious orthodoxy and uniformity, which has been fundamentally committed to ideas of universal rationalism, discipline and a scepticism. In other words, postmodernism does question the West but it questions everything else too.



‘emotional’, the perspectives of those most unlikely to write critically and interpretatively on accounting, are surely still very much under- represented and under-played if not entirely absent’.

So, prescriptions provided by critical school research, Gallhofer and Haslam (1997) explain, have the tendency to provide a global or universal prescription that could suppress the valued differences of more particular and localised beliefs and practices (Sikka and Willmott, 1995, cited in Gallhofer and Haslam, 1997). Gallhofer and Haslam (1997), therefore, call for critical accounting researchers to overcome such limitations by being explicitly concerned with addressing the needs of repressed groups on the global level. Their call extends to drawing attention to the cultural imperialism of actually existing accounting practices and the suggestion that much can be learned from exploring accounting in different cultures and locations, including historical locations.

The theoretical framework of this study wishes to respond to Gallhofer and Haslam’s (1997) call and extends critical accounting/social accounting research to accommodate insights from and to address the needs of repressed groups on the global level, including the postcolonial world of the Arab Middle East. As mentioned earlier, the theoretical framework in this study builds on the critical accounting school debates regarding accounting and social accounting for the analysis of practices in the Middle East, including being concerned to move towards prescribing an enabling and emancipatory accounting in these countries. It extends this model to encompass insights from postcolonial research and theory. The view is that this aids the study in giving a ‘voice’ to and reflects the value of the particular cultural needs and aspirations of the Arab countries of the Middle East and, consequently, provides a local and global/universal prescription that considers these needs, beliefs and aspirations.

### ***2.3.1 Postcolonial Theory***

Roughly since the 1970s the field of postcolonial studies has been gaining prominence. Some would date the emergence of postcolonial studies in the Western academy from the publication of Edward Said’s influential critique of Western constructions of the Orient in his 1978 book, *‘Orientalism’* (Bahri, 2000; Sadiki, 2003). Since this emergence, postcolonial studies have gained an important place and developed complex relationships with other disciplines and theories such as Marxism and Poststructuralism/Postmodernism. There is still, however, little consensus regarding the proper content, scope and relevance of postcolonial studies (Gandhi, 1998). The scope



of postcolonial studies, in contrast to what the term postcolonial appears to imply, is not limited to covering the time period after the departure of imperial powers and the establishment of independence in a colony, but is concerned with the period before independence as well (Gandhi 1998; Bahri 2000). In addition, postcolonial studies are not only concerned with countries that have a history of colonialism and independence, but also include countries that have yet to achieve independence, or people in First World countries who are minorities, or even independent colonies that are faced with neo-colonial forms of subjection through expanding capitalism and globalisation (Bahri, 2000).

Postcolonial theory or studies have a number of aims and objectives. It could be argued, however, that postcolonialism is primarily concerned with issues such as the effect of the experience of colonialism on the colonised as well as the coloniser, ways in which colonial power was (is) able to gain control over so large a portion of the non-Western world, forms of resistance against colonial control, the influence of colonial education and language on the culture and identity of the colonised, new forms of imperialism that are replacing colonisation, the emphasis in Western formulations on universalism more than particularism and a number of other related issues (Bahri, 2000; Sadiki, 2003). In general terms, postcolonial studies are used to signify a position against imperialism and Eurocentrism (Bahri, 2000). Postcolonial studies and theory, effectively, are concerned with the process of revisiting, remembering and, crucially, interrogating the colonial past, in order to disclose a relationship between reciprocal antagonism and desire between coloniser and colonised. Unfolding this troubled and troubling relationship, it is argued, starts to discern the ambivalent prehistory of the colonial condition (Gandhi, 1998, p. 4). Postcolonial studies and theory, in other words, could be seen as a theoretical resistance to the mystifying amnesia of the colonial aftermath, committed to the historical and psychological recovery of the subject of postcoloniality, assisting these subjects to live with the gaps and fissures of their condition and thereby, learn to proceed with self-understanding (Gandhi, 1998, p. 8).

### 2.3.1.1 Imperialism and Colonialism

As mentioned earlier, in general postcolonial studies are used to signify a position against imperialism and Eurocentrism (Bahri, 2000). There is much controversy concerning the meaning of imperialism (Said, 1993). It also raises a lot of questions,



such as was imperialism principally economic? How far did it extend? What were its causes? Was it systemic? When did it end? Did it actually end? Imperialism, according to Said (1993, p. 8), means 'the practice, the theory, and the attitudes of a dominating metropolitan centre ruling distant territory'. Colonialism 'is almost always a consequence of imperialism, is the implanting of settlements on distant territories'. Imperialism, in other words, 'is simply the process or policy of establishing or maintaining an empire'. This could be achieved by force, by political collaboration, by economic, social, or cultural dependence (Said, 1993, p.8). Colonialism, it is argued, takes two forms or types. The first type or form is the 'physical conquest' of territories. While this form/type of colonialism was more violent, it was transparent in its self interest, greed and rapacity. The second type is committed to the conquest and occupation of minds, selves, cultures. This type, and as compared to the first one, is more confusing as it is pioneered by rationalists and liberals who argued that imperialism was really the messianic harbinger of civilisation to the un-civilised world (Gandhi, 1998). Nandy (1983) illustrates the above idea further when stating that:

'This colonialism colonises minds in addition to bodies and it releases forces within colonised societies to alter their cultural priorities once and for all. In the process, it helps to generalise the concept of the modern West from a geographical and temporal entity to a psychological category. The West is now everywhere, within the West and outside, in structures and in minds (Nandy 1983, p. xi cited in Gandhi, 1998, p.15).

Colonialism/imperialism consequently is viewed beyond the 'physical conquest' of territories and these territories resources to mean 'the historical process whereby the "West" attempts systematically to cancel or negate the cultural differences and value of the 'non- West' (Gandhi, 1998, p16).

The way in which colonial/imperial powers have been able to gain control over so vast a portion of the non-western world for so long has been attributed to a number of interrelated factors and arguments. Said (1978) influential book '*Orientalism*'<sup>17</sup> emphasises the way in which European culture and colonial power, especially that of

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<sup>17</sup> As mentioned earlier, Edward Said's book, '*Orientalism*', represent the first phase of postcolonial theory (Gandhi, 1998). The work of Said (1978) concentrates on what is considered one aspect of Postcolonialism, 'colonial discourse analysis'. Few postcolonial critics, however, dispute the enabling effect of 'colonial discourse analysis' upon subsequent theoretical improvisations (Gandhi, 1998). Examining Orientalism as a discourse, debatably, is crucial if one is to 'understand the systematic discipline which enabled European culture to manage and even produce the Orient politically, sociologically, militarily, ideologically, scientifically, and imaginatively during the post enlightenment period' (Said, 1978, p.3).



Britain, France and the United States, have been able to dominate, structure and have authority over the Orient<sup>18</sup>. Orientalism, according to Said (1978), can be discussed and analysed as 'the corporate institution for dealing with the Orient, dealing with it by making statements about it, authorising views of it, by teaching it, settling it, ruling over it: in short, Orientalism as a Western style for dominating, restructuring and having authority over the orient' (Said, 1978, p3).

'*Orientalism*' (1978) raises three major arguments explaining how colonial powers have been able to control a vast portion of non-Western countries (Windschuttle, 1999). The first argument put by Said (1978) is that colonial rule was justified in advance by Orientalism, rather than after the fact. Said explains that although Orientalism appears to be an objective, disinterested field, in fact, it functioned to serve political ends. Orientalist scholarship provided the means through which Europeans could gain possession of Oriental lands. Said (1978) quotes Lord Curzon's words on how knowledge about the Orient enabled the West to manage and control the Orient:

'...our familiarity, not merely with the language of the people of the East but with their customs, their feelings, their traditions, their history, and religion had provided the sole basis upon which we are likely to be able to maintain in the future the position we have won.' (Cited in Windschuttle, 1999, p.2).<sup>19</sup>

Said (1978) builds his argument on Foucault's thesis regarding the relationship between knowledge and power (Windschuttle, 1999, Sadiki, 2003). The idea of knowledge as power is presented throughout Said's critique (Bahri, 2000). In the nineteenth century, 'Orientalists', according to Said, translated the writings of the Orient into English, based on the assumption that a truly reflective colonial conquest required knowledge of the conquered peoples. Therefore, 'by knowing the Orient, the West came to own it'. The Orient became the studied, the seen, the observed, the object; Orientalist scholars were the students, the seers, the observers, the subjects. The Orient was passive, the West was active (Said, 1978, p.128). Therefore, knowledge of subject races and Orientals (that Orientalism made available to the Western powers) is what makes their management easy and profitable; knowledge gives power, more power requires more knowledge, and

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<sup>18</sup> Said's (1978) '*Orientalism*' places emphasis upon Britain, France and the United States as colonial powers. The Orient, however, is a vast region, one that spreads across a myriad of cultures and countries. It includes most of Asia as well as the Middle East. Said, mainly, focuses in '*Orientalism*' on how English, French and U.S scholars have approached the Arab societies of North Africa and the Middle East. He covers the period between the 18<sup>th</sup> century to the present date of his book. Between 1800 and 1878, actual European rule was extended from 35 to 67 per cent of the earth's ; surface; a further, 18 per cent was added in the new wave of annexations between 1875 and 1914 (Hoogvelt, 1997, p.19).



so on in the increasingly profitable dialectic of information and control (Said, 1978). Said (1978, 1993, 1997, 2001) goes further to suggest that the association between power and knowledge is such that knowledge has sometimes to be invented for the purpose of power. One kind of knowledge that has been implicated in the service of imperial power is Orientalism. Said justifies his argument by reminding us that by the end of World War I, Europe colonised 85 percent of the earth: *'To say that modern Orientalism has been the aspect of both imperialism and colonialism is not to say something very disputable'* (Said, 1978, p123). All in all, Said (1978) claims that Orientalism was not simply limited to the rationalisation of the colonial role. Rather, the colonial role was justified in advance by Orientalism, rather than after the fact.

The second argument put by Said (1978) is that Orientalism helped define Europe's self-image (Windschuttle, 1999; Sadiki, 2003). Said explains that Orientalism is never far from the 'idea of Europe'. The strong notion identifying 'us' Europeans as against all 'those' non-Europeans in the European culture, and the major component in this culture that suggests that European identity is a superior one in comparison to all the non-European peoples and cultures, made the culture hegemonic both in and outside Europe. There is, in addition, the hegemony of European ideas about the people of the Orient themselves repeating European superiority over Oriental backwardness (Said, 1978, p.7). Therefore, Orientalism is a style of thought based upon ontological and epistemological distinction made between 'us' Europeans, the 'superior', the 'Occident' and 'others', 'the Orient', the 'inferior'. Thus a very large mass of writers, amongst whom are poets, novelists, philosophers, political theorists, economists, and imperial administrators, have accepted the basic distinction between East and West as the starting point for elaborating accounts and making statements concerning the Orient, its people, customs, mind, destiny and so on (Said, 1978).

The West consequently portrayed and saw itself as a dynamic, innovative, expanding culture. As a result of the West's belief in its superiority, it saw (and sees) itself as 'the spectator, the judge and jury of every side of Oriental behaviour'. This became part of its imperial pride. In 1810, for example, the French author Chateaubriand called upon Europe to teach the Orient the meaning of liberty which he, and everyone after him, believed Orientals knew nothing about (Said, 1978). In 1910, similarly, the French

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<sup>19</sup> Lord Curzon was a Viceroy of India in the period 1895-1905 (Said, 1978).



advocate of colonialism, Jules Harmond, illustrates this argument even more clearly where he states:

‘It is necessary, then, to accept as a principle and point of departure the fact that there is a hierarchy of races and civilisations, and that we belong to the superior race and civilisation, still recognising that, while superiority confers rights, it imposes strict obligations in return. The basic legitimation of conquest over native people is the conviction of our superiority, not merely our mechanical, economic, and military superiority, but our moral superiority. Our dignity rests on that quality, and it underlies our right to direct the rest of humanity, Material power is nothing but a means to do that’ (cited in Said, 1993, p17).

Thereby, people like Chateaubriand and Harmond provided the rationale for Western imperialism which could be ascribed by its perpetrators not as a form of conquest, but as the redemption of a ‘barbaric’ world (Windschuttle, 1999). In other words, The Orient exists for the West, and is constructed by and in relation to the West. It is a mirror image of what is inferior and alien (other) to the West (Bahri, 2000). Therefore, the idea of the superiority of the West justified and legitimised the conquest of native, inferior, peoples and their lands on the grounds that the West, as a superior race, has the right to do so, and that the West has an obligation to teach and direct the rest of non-Western humanity.

The third main argument of Said’s (1978) ‘*Orientalism*’ is that Orientalism helped in producing a false description of the Orient. The Orient was defined as a place isolated from the mainstream of human progress in sciences, art, and commerce (Windschuttle, 1999). The systematic way of representing and approaching the Orient is framed by political forces that brought the Orient into Western learning, Western consciousness, and Western Empire (Said, 1978). The Oriental is represented in a single and generalised image. The Orient man is depicted as feminine and weak yet strangely dangerous because he poses a threat to white, Western Women. The oriental Woman is depicted as both eager to be dominated and strikingly exotic (Bahri, 2000). Orientalism in other words, imposed limits upon thought about the Orient. This feminine and weak Orient awaits the dominance of the West (Said, 1978).

Orientalists’ work, therefore, involves, in most cases, converting the Orient from one thing into something else. The Orientalist does that, Said explains, for himself, for the sake of his culture, in some cases for what he believes is the sake of the Oriental. This process of conversion is a disciplined one: ‘it is taught, it has its own societies,



periodicals, traditions, vocabulary, rhetoric, all in basic ways connected to and supplied by the prevailing culture and political norms of the West' (Said, 1978, pp.67-68). The discourse and visual imagery of Orientalism, in this case, is based on notions of power and superiority, facilitating a colonising mission on the part of the West (Said, 1978). Said in this respect explains that:

Neither imperialism nor colonialism is a simple act of accumulation and acquisition. Both are supported and perhaps even impelled by impressive ideological formations that include notions that certain territories and people require and beseech domination, as well as forms of knowledge affiliated with that domination (Said, 1993 p. 8).

In other words, 'Said's answer to the way the East was won suggests that we reconsider some of the ways in which the East was known'(Gandhi, 1998, p67).

Said's arguments on the role of Orientalism in facilitating imperialism/colonialism thought and action did not escape criticism. Said's *Orientalism* has been revisited and criticised for a number of reasons. For a start, Said's analysis begins in the 18<sup>th</sup> century, ignoring all of the rich period, prior to that time and since the Middle ages, where works of Orientalism manifested (Windschuttle, 1999; Sadiki, 2003). In addition, Windschuttle (1999) claims that 'apart from Foucault's extravagant hypothesis that knowledge always generates power, Said provides no support at all for his contention that colonial rule was justified in advance by Orientalism'. Said's '*Orientalism*', as Windschuttle argues, provides no explanation for the motives, opportunities nor objectives of colonialism in his analysis of the colonial conquest. Windschuttle (1999), also, claims that where many historians have attempted to explain the causes of colonialism, they have come to quite different conclusions, with trade, investment, and military factors predominating. The motive of the British to move into North Africa and the Middle East in the 1880s, for instance, has previously been interpreted as being based on rivalry with the French, the need to guarantee the sea routes to India and China and the concern to protect British financial interests from nationalist interests. Another major criticism of Said's work is that of Said's selective reading (Sadiki, 2003). Sadiki explains that most of Said's critique revolves around his reading of only British, French and, later, US Orientalism (because they had imperial contact with the Middle East) ignoring in the meantime many other readings, especially German Orientalism. Relevant to this point is Said's selective readings of authors within the traditions Said looked at (Sadiki, 2003).



Despite the above criticisms, Said's arguments provide useful insights into the bourgeois culture that accompanied imperialism and colonialism. Said (1993) explains that his analysis is not a suggestion that culture in the broad sense 'caused' imperialism, but that the 'cultural artefact of bourgeois society' and imperialism are unthinkable without each other.

#### 2.3.1.2 Decolonisation and the aftermath of colonialism.

Western dominance and imperialism was not left unopposed by the colonised nations. National movements in many colonised countries, succeeded by the end of WWII in driving imperial powers out of their land and gaining independence (Said, 1993; Gandhi, 1998). This resulted in nationalism as the principle remedial means whereby the colonised culture overcomes the psychological damage of colonial racism, refuses the universalising geography of empire, and finds its cultural identity through the nation as in the case of India and of Algeria. (Gandhi, 1998). Nationalism,<sup>20</sup> therefore, for the colonised, is privileged as a strategy for its capacity to heal the historical wounds inflicted by the separation and discrimination structure of colonial culture, which limits the colonised to the secondary inferior position to the superior white coloniser (Gandhi, 1998). When colonised countries gained their independence, they hoped that a new world, after colonisation, would magically emerge. This aftermath dream/hope, it is argued, underestimates the psychological scars that the colonial past has on the postcolonial present (Gandhi, 1998). Soon colonised nations discovered that colonialism does not end with the end of colonial occupation (Gandhi, 1998). The colonial past is part of the reality of hundreds of millions of people, where its existence as a shared memory and highly conflictual texture of culture, ideology and policy still exercises tremendous force (Said, 1993). National independence, therefore, did not negate or delete the foundational economic, cultural and political damage inflicted by colonial occupation. Colonialism, the colonised found, is a 'fate with lasting, indeed grotesquely unfair results' (Said, 1989 p.207). Subsequently, contemporary nations of Asia, Latin

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<sup>20</sup> It is generally agreed that nation-ness and nationalism are European inventions. Natives acquired lessons of nationalism in the colonial classroom through the teaching and transmission of European national histories (Gandhi, 1998). Furthermore, it is also argued, colonialism was itself a type of nationalism. In other words, the colonial energies of the nineteenth century were themselves fuelled by the ideology of 19<sup>th</sup> century nationalism. Colonialism, therefore, is simply the aggressive face of European nationalism (Gandhi, 1998).



America, and Africa are as politically dependent today as they were when they were ruled directly by European powers (Said, 1993).

Therefore, while anti-colonial nationalism helped colonised countries to free their lands from Western colonisation, postcolonial nationalism failed to gain these countries total independence. Natives soon enough found they needed the West and that the idea of total independence was a nationalist fiction designed mainly by 'nationalistic bourgeois' leaders who ran the new countries in a similar exploitive manner to the departed masters (Said, 1993, p.20).

#### 2.3.1.2.1 Neo-Imperialism

After the end of WWII, in exchange for sacrificing American lives in the cause of its European allies, the US demanded a price. That price was a new international economic order under US hegemony (Hoogvelt, 1997).<sup>21</sup> Decolonisation and the guaranteeing of markets and access to raw materials was an essential turnpike around which the plan revolved (Hoogvelt, 1997). Victorious nations after the end of WWII drew up agreements that would guarantee control and management of the world economy through effective international institutions and principles under the acknowledged leadership of the US, for example the Bretton Woods institutions of the International Monetary Fund (IMF) and the World Bank, 1944, and the General Agreement on Tariffs and Trade (GATT), 1947. Barely a couple of years later, tight political and military alliances were woven around the 'free world' economy (NATO) (Hoogvelt, 1997).<sup>22</sup>

The provision of aid and development programmes to the developing world by these US- controlled international institutions depended, in many cases, on the need to keep these countries out of communist hands and the readiness of these countries to

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<sup>21</sup> Already in the early stages of the war, the American Council of Foreign Relations had drawn up a memorandum to this effect. The memorandum described the policy needs of the US in 'a world in which it proposes to hold unquestioned power'. It outlined the component parts of an integrated policy to achieve military and economic supremacy for the United States within the non-German world, including the Western hemisphere. This US-led, non-German world was to be called the Grand Area (Hoogvelt, 1997, p.33).

<sup>22</sup> When indirect tactics of 'informal' imperialism failed, the US, on many occasions, resorted to direct and military intervention to secure a stable investment climate and keep the lifelines of resources and markets open to the 'free world'. Between 1945 and 1970, the US in fact intervened militarily in Greece, Korea, Lebanon, the Dominican Republic, Grenada and, of course, Vietnam. It was further involved in the destabilisation of regimes in Turkey, Iran, Guatemala, Cambodia, South Korea, Lebanon, Laos, Cuba, the Dominican Republic, El Salvador, Chile, Ghana, Zaire and Mali (Hoogvelt, 1997, p.34) and Iraq.



undertake social, cultural and political changes (Hoogvelt, 1997). Economists hired by the US as practical advisers and people responsible for aid missions told us how cultural diffusion and the introduction of technology from the outside were frustrated by the negative role that traditional culture played in 'blocking' development. Traditional institutions or values on many occasions were considered 'dysfunctional' to the process of development and regarded as 'problems' that comprehensive socio-economic planning could be designed to correct. Progress became a matter of 'ordered social reform' (Hoogvelt, 1997, p.36)<sup>23</sup>. Modernisation and progress in practice came to be the convergence of less-developed societies to the Western model (Hoogvelt, 1997).<sup>24</sup> Accordingly, Westerners may have physically left their old colonies in Africa and Asia, but they retained them not only as markets but as locales on the ideological map over which they continued to rule morally and intellectually (Said, 1993). As a result, most former colonies, in today's global context, are far from free of colonial influence or dominance.<sup>25</sup> In other words, the celebration of independence marks the march of neo-colonialism in the guise of modernisation and development in an age of increasing globalisation and transnationalism (Bahri, 2000).

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<sup>23</sup> For example, modernisation studies would examine the processes of secularisation consequent upon the introduction of cash crops into traditional peasant communities, or the effect of industrialisation on the nuclearisation of family systems, or the need for multi-party democracy to support the division of labour (Hoogvelt, 1997).

<sup>24</sup> Modernity and tradition came to be conceived as polar opposites on one continuum, rather than dimensions of two different continua (Sadiki, 2003, p. 155).

<sup>25</sup> Neo-imperialism/colonialism, it has been argued, has gone through a number of periods. Throughout the first post second world war period (until 1970), imperialist profit had been maintained through direct exploitation of raw material resources by multinational capital (Hoogvelt, 1997). The new structure resulted in the subordination of the economy to the structure of advanced capitalist countries through the re-organisation of the economy in such a way that it only produced primary goods for the industrial West and the prevention of local industrialisation. The structure has also resulted in an extreme dependency on overseas markets, both for capital and technology sourcing and production outlets (Hoogvelt, 1997). This pattern of unequal exchange between the rich and poor worlds had been mediated by neo-colonial class alliances between international capital and Third World bourgeoisies (Hoogvelt, 1997). This economic dependency and unequal position of these countries in the world economic order, corrupted the very policies of development, including Western forms of aid, leading to a deepening chasm between state and civil society within the Third World (Hoogvelt, 1997). Politically, the easiest option for the national bourgeoisie was to suppress internal revolt by blaming the continuation of imperialist forms of domination of their countries, while masking their own complicity in this domination (Hoogvelt, 1997). In the late 1960s and 1970s pressure on Third World governments, however, resulted in a wave of nationalisation policies in which foreign-owned companies and assets were taken over by the state compulsorily and sold to the indigenous bourgeoisie. This take over of, or domestic participation in, foreign owned companies required financial compensation to be paid even if the level of compensation was below the market value. The financial resources were obtained from international banks eager to find outlets for accumulated euro- and petrodollars. The consequence of this changed debt-equity ratio was the debt crisis of the 1980s (Hoogvelt, 1997).



Globalisation has emerged as a major theme in recent years. Contemporary globalisation is believed to be the result of today's advanced technology.<sup>26</sup> Computers and cell phones, the fibre optic networks and the satellites, as well as the Internet have enormously accelerated the speed and cut the cost of communication and data processing. People are able now to know what is happening around the globe and have the capacity to respond to events very rapidly (Volcker, 2000). Globalisation has been linked very closely to capitalism and is believed to be a result of it. The 1990's witnessed the collapse of the cold war and the beginning of a new era of economics, based on a new type of capitalism. Different names have been given to globalisation in this capitalistic context. It has been called 'raw capitalism', 'turbo capitalism', 'manic capitalism', 'casino capitalism', 'the global trap', or simply 'global capitalism' (Haseler, 2000). Technology advances achieved in computing and telecommunications made it increasingly easier for financial integration between countries. As technology allows for the flow of information without comprehensive controls, a flow of money will eventually follow. Moreover, trades in assets and debts are much easier to globalise than trade in commodities and labour. Nothing is involved in financial transactions beyond exchanging pieces of paper or making entries in electronic ledgers (Tobin, 2000).

Since the only barriers facing financial transactions are national regulations (Tobin, 2000), the international community was convinced (or pressured) by international policy makers to soften their political boundaries on the grounds that any thought of economic isolation seems more and more unrealistic (Volcker, 2000). As a result, governments today are competing with each other by pursuing policies that they believe would earn them market confidence and attract trade and capital inflows (Rodrik, 2000). They have been willing to sacrifice previously strongly held views about economic sovereignty and policy autonomy. They are doing so because they believe that the balance of economic advantages is on the side of integration and not on the side of isolation (Volcker, 2000). Globalists explain that countries, especially developing ones, which are trying to reverse the integration process will eventually lose. Malaysia, for example, had a comprehensive set of controls over capital movements and exchange rates but was one of the first countries that experienced and was hit by the Asian crisis. Other countries, like Iraq, Iran, Cuba, Libya and Sudan, that are isolated not by their

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<sup>26</sup> There is no agreement among researchers on the history of globalisation. While many writers have no doubt that contemporary globalisation as it stands in the 21<sup>st</sup> century has clearly built upon previous developments of cross-border activity and internationalism, others however, like Scholte (1999), believe that globalisation is a trend of recent decades.



own choosing but by international political pressure, are not very good examples of economic growth (Volcker, 2000).

Globalisation sceptics, on the other hand, argue that globalisation is Western and is built upon market-based liberal capitalist economy (Holton, 2000). Furthermore, the existing multilateral institutions of global economic governance, especially the IMF, World Bank and WTO, are acting as advocates to the principle agents of global capital and the G7 states (Held and McGrew, 2002). They are doing this by pursuing and sometimes pressuring developing countries to open up their markets and lose some control of the flow of goods and capital in order to protect the interests of the West and Western multinational companies (MNCs) (Lentner, 1999; Rampersad 2000). International governance, under the current world order, thus continues to exist only because the most powerful states perceive it as being in their national interests. International institutions are, therefore, far from being independent powers, and function largely as instruments for the advancement of the interests of the most dominant states or coalitions of states or those people with hegemonic influence over these states. This is evident in the limits to their power that exist not only formally, as in weighted voting systems and institutionalised vetoes embedded in the operations of many IGOs, but also more informally in so far as it is widely understood that collective rules or policies (even where these are in the global interest) cannot be imposed or enforced on the powerful states (Held and McGrew, 2002). Held and McGrew (2002) explain how the process of global governance has emerged in the context of contemporary imperialism:

‘On the whole range of global issues, from the eradication of poverty to humanitarian intervention and global warming, the formal and informal ‘veto’ power of dominant states constructs the effective limits to concerted global action. International governance, in key respects, is the contemporary equivalent of old-style imperialism in so far as it represents a distinctive political mechanism which entrenches a system of global domination of the weak by the strong’ (Held and McGrew, 2002, p.73).

The present liberal world order, therefore, with its global institutions and mechanisms of international governance, is primarily a product of US global hegemony and can not be sustained without it. Globalisation is therefore - along with international governance - are as sceptics of globalisation argue, little more than a process of the Americanisation of world order (Held and McGrew, 2002).



Decolonisation, then, clearly did not create a world of free and equal states. The influence of Western commerce, trade and political organisation outlived direct rule. Powerful national economic interests have often been able to sustain hegemonic positions over former colonial territories through the replacement of a visible presence rule with the 'invisible government' of corporations, banks and international organisations (the IMF and the World Bank, for example) (Held and McGrew, 2002). Western imperialism, in a sense, has continued to linger in new modes and forms. As Petras and Veltmeyer note, globalisation is '*not a particularly useful term ... it can be counterpoised with a term that has considerably greater descriptive value and explanatory power: imperialism*' (2001: 12) (Held and McGrew, 2002, p.84).

#### 2.3.1.3 Postcolonialism: a Way-Forward.

The emancipatory value of postcolonialism lies in its power as a discourse, which provides a 'cultural condition' or 'logic' that corresponds to the specific geopolitical and economic configuration of imperialism and globalised capitalism (Hoogvelt, 1997, p155). Postcolonial discourse, in this regard, as is the case with the discourse of most cultural studies, has an emancipatory promise and purpose to discover resistance and subversive creativity in the cultural relation between dominant and subordinated groups, and help to reverse it (Hoogvelt, 1997).<sup>27</sup> Postcolonial studies have attempted to achieve this emancipatory promise through, first, deconstructing the texts, words, names, labels, definitions that have been authorised by the dominant groups; second, giving a voice back to the subordinated group of the colonised world through cultural practices of resistance and protest and finally by linking the experience of these diverse groups and potentially creating new political alliances between them (Hoogvelt, 1997).

Previous sections of this chapter have illustrated how the West saw itself as the source of the world's significant action and life (Said, 1993). Said explains that Eurocentrism is supported by a cultural discourse relegating and confirming the non-European to a secondary racial, cultural, ontological status (Said, 1993). This notion is clear in John Stuart Mill's statement in the 'Principles of Political Economy':

'These [outlying possessions of ours] are hardly to be looked upon as countries...but more properly as outlying agricultural or manufacturing estates belonging to a larger community. Our West Indian colonies, for

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<sup>27</sup> As when Frantz Fanon once argued: 'Europe is literally the creation of the Third World'. (Hoogvelt, 1997, p.158).



example, cannot be regarded as countries with productive capital of their own...[but are rather] the place where England finds it convenient to carry on the production of sugar, coffee and a few other tropical commodities' (Said, 1993, p.69).

It is not surprising then that when the West talks about universalism in any field (whether classics, historiography, anthropology or sociology or even international accounting) this universality is extremely Eurocentric, as if other literature, culture and societies had either an inferior or little value (Said, 1993).

Postcolonial theorists attempt to remind us that the experience of imperialism/colonialism made the East an integral part of European material civilisation and culture (Said, 1978). And at the same time, Western imperialism imported many of its cultural components to the East. Therefore, partly because of empire, all cultures are involved in one another; none is single and pure, all are hybrid, heterogeneous, extraordinarily differentiated, and non-monolithic. Said reports:

'Far from being unitary or monolithic or autonomous things, cultures actually assume more 'foreign' elements, alterities, differences, than they consciously exclude. Who in India or Algeria today can confidently separate out the British or French component of the past from the present actualities, and who in Britain or France can draw a clear circle around British London or French Paris that would exclude the impact of India and Algeria upon those two imperial cities?' (Said, 1993, p15)

Consequently, despite Western efforts since the eighteenth century to define the realms of culture and experience into apparently separate spheres- entities such as races and nations, essence such as Englishness or Orientalism, modes of production such as the Asiatic or Occidental- it is clear that cultural and historical experiences or indeed every cultural forms are radically hybrid (Said, 1993). Said (1993) suggests that it is time to rejoin culture with the worldly domain, as no culture is pure and isolated from the other. In addition, nations should abandon the notion of being concerned with what is 'ours' and should begin spending time learning about and from each other (Said, 1997).

In postcolonial discourse, therefore, hybridity is celebrated and privileged as a kind of superior cultural intelligence owing to the advantage of 'in-betweenness', the straddling of two cultures and the consequent ability to 'negotiate the difference' (Hoogvelt, 1997, p.159). Postcolonialism or postcolonial theory, therefore, aims or ought to facilitate what Said call an enlightened 'postcolonialism' where 'Nativism' (Nationalism) is not



the only alternative and where there is a possibility for a more generous and pluralistic vision of the world (Said, 1993, cited in Gandhi, 1998). An anti-colonial nationalistic perspective, postcolonial critics would argue, restricts the colonial subject to ambivalent feelings towards the Western. Alternatively, postcolonialism should help this colonial subject in bridging the old divide between the Western and the native through considering the potential of less embattled account of colonialism as a co-operative venture (Gandhi, 1998). This turn away from nationalism in contemporary postcolonialism is partly due to the realisation that the new global order has changed the role of the nation state and the way we govern our politics (Gandhi, 1998; Held and McGrew, 2002). The growth of international organisations, from the United Nations and its specified agencies to international pressure groups and social movements, has altered the form and dynamics of both states and forms of political life. The emergence of 'global governance' as a result of the increase in extensive forms of political networks and increased interaction and rule-making activities have meant that developments at the global level, whether political, economic, social or environmental, can acquire almost immediate local consequences, and vice versa (Held and McGrew, 2002).

Postcolonial contemporary thought, thus, argues for the abandonment of the old story of the clash of civilisations and confrontation, on both sides East and West, with this story to be retold with an eye on the transactive/transcultural aspect of post colonialism that involves a two-way process of interactive dialogue, negotiation and exchange and the joint participation of East and West in the transnational institutions of global governance (Gandhi, 1998). In other words, postcoloniality should become another name for the globalisation of culture and histories where the interrelated and hybrid culture, history and future of the coloniser and colonised is realised and acted upon. The working out of the universality and particularism debate, as a result, would revolve towards 'mutual transculturalism' where the colonised culture is not repressed and ignored anymore and the West does not remain the privileged meeting ground for all cross-cultural conversations, but where there is an acknowledgement that the colonised people should be heard from, and their ideas known (Said, 1993). So, it could happen that if this type of global culture is in the making, then perhaps a global civil society might come into being.

### ***2.3.2 Postcolonialism and Accounting.***

Postcolonial theory has not been significantly used in accounting literature. While critical perspectives in accounting are gaining increased importance, the postcolonial aspect has not yet been significantly employed in accounting research and studies. Nevertheless, a small body of accounting research began to pay attention to the potentiality and relevance of postcolonial studies and theory to accounting, especially when researching postcolonial countries and cultures.

The accounting literature has discussed a number of issues where postcolonial theory or discourse can provide a useful framework for analysis. For example, accounting literature has touched upon issues such as the problematisation of the universal validity of Western practices and institutions, challenges to this Western dominance and the value of different cultural perspectives and the role of accounting in the enactment of imperialism and in the construction and maintenance of empire (see Gallhofer and Chew, 2000; Annisette and Neu, 2004). The next section will summarise some of the studies in the accounting literature that have touched upon the issues of accounting practices in postcolonial countries and elaborate upon the theoretical backgrounds used in these studies.

#### **2.3.2.1 Previous Studies**

Neu's (2000) paper is concerned with colonialism in North America that involves the dominance of a distant territory by the crowding out of indigenous peoples with settlers from the dominating country. The paper concentrates on the case of the Oka crisis at Gustafsen Lake, Ipperwash, a land that is causing visible armed confrontations between indigenous people and the Canadian government up until now. First nation people of Canada claim right of the land, while the Canadian government and its supporters claim that the land has been adequately paid for many times over. Neu (2000) suggests that these disputes must be viewed as a consequence and continuance of Canada's colonial history. The paper goes back in Canadian history to the 1830-1860 period to argue that accounting discourses and techniques were located within the logic of imperialism and enmeshed within colonial systems of government. The paper attempts to observe how accounting discourses were used to rationalise colonial relations, and how accounting techniques were used as both a general and specific mode of colonial government.



The theoretical framework used in the study draws on the notion of governmentality, situating it within literature on imperialism and colonialism. Neu draws attention to the relevance of Said's (1993) work, especially the distinction between the 'hardware' and 'software' of imperialism. 'Hardware' refers to technologies such as steam of gunboats and beach-loading guns which provided the means for imperial expansion (Headrick, 1981, p.42 cited in Neu, 2000). 'Software' involves knowledge such as geography, medicine and accounting to help imperial rule. Neu argues that Said's work highlights the importance of 'software' to imperial role, suggesting that both hardware and software were integral to the process of imperialism. The framework in Neu's (2000) paper proposes that accounting knowledge be viewed as a technology of government that helps to translate colonial policies into practice. The study proposes that while military force often forms the backdrop, technology of government such as accounting are an important indirect method of encouraging action at a distance. The paper, therefore, argues that accounting discourses and accounting techniques mediated relations between Britain and indigenous people in Canada subject to its rule.

The notion of government, Neu explains, emphasises the roles played by mundane and indirect mechanisms such that, for Neu, accounting the act of governing. The notion that accounting enables action at a distance is consistent, Neu argues, with the suggestion that accounting be thought of as a 'software' of imperialism. The paper seeks to justify its claim by drawing attention to the manner in which, within the colonial context, accounting inscribes into measurement unequal power relations and illustrates the ways in which accounting techniques simultaneously function as a discursive field constructing/rationalising the culture of colonialism, an active agent in expropriation and as a setting up mechanism that apportioned the spoils of colonialism and re-represented them in monetary terms.

In a similar theoretical frame, Neu (2000a) argues that accounting and accountability mechanisms helped colonial powers translate colonial objectives into practice. Furthermore, Neu asserts, while not all these translations had genocide as a consequence, in a number of instances genocide was associated with the deployment of accounting and accountability mechanisms. Neu (2000a) explains that accounting, broadly defined as monetarised, numerical calculations and techniques along with accountability relations, has been used by Canadian governments in the attempt to incite actions that impact upon indigenous peoples and their territory, Neu (2000a) gives



examples illustrating how governments may introduce, incentive schemes that encourage indigenous peoples to change their behaviour. In other instances incentive mechanisms and/or changed accountability requirements are used to encourage third parties to undertake actions that, in turn, impact upon indigenous peoples, their territory and their mode of subsistence. Neu's (2000a) illustrations highlighted how accounting techniques helped to translate these policies into practice and how genocide was often the consequence.

Neu and Heincke (2004) examine how techniques of governance have been used in the Chiapas and Oka context to translate abstract government policies pertaining to indigenous people into concrete administrative practices. The paper reviews the literatures on governmentality and subaltern studies and examines how financial and monetary relations intersected with techniques of force in the attempted governance of indigenous peoples. The analysis illustrates how the Oka stand-off and Chiapas rebellion can be viewed as responses on the part of indigenous peoples to these techniques: that is, how these resistances, in part, were from peasant praxis aimed at challenging the effects associated with techniques of governmentality. In the theoretical framing section of the paper it is proposed that techniques of governmentality help translate abstract policies into practice. The paper distinguishes between different types of policies: 'normal' policy and 'extraordinary' policy making. The implication is that different techniques are more likely to be used at different junctures. The study observes that financial and monetary relations being used as a normal and sometimes extraordinary policy-making tool, translating policy into practice. The paper also observes the continual layering of these techniques over top of previous techniques, including techniques of force. The paper maintains that while in the pristine world of policy these translations may appear appropriate, in practice the differing capitals and interests of the various social groups encouraging both the less than uniform adoption of such policies and frequent policies reversals. The study also illustrate the irony of financial relations in that such techniques of governance may be 'efficient' during periods of minimal resistance but when they are challenged the potential costs are high.

Gallhofer *et al.* (1999) draw attention to the scarcity in the accounting literature of studies concerned to focus upon accounting from an indigenous cultural perspective or to promote multicultural accounting education. Their paper concentrates upon Maori, the indigenous people of Aotearoa New Zealand, and critically assesses and explores



the participation of Maori in and Maori experiences of accounting education. The paper's focus is on university accounting education that is central to the process of gaining admission into the accountancy profession of Aotearoa New Zealand. The study explores experiences of Maori university students of accounting and reflects upon the role of Eurocentric accounting and accounting education in these experiences. The Authors' hope is that issues raised in the paper would lead to seeking ways forward that would constitute 'better practice'. The paper aims at critically analysing the very institutions and practices of Western accountancy and accounting education as forms of insensitive cultural imperialism. Gallhofer *et al.*, (1999) build on a critique of modernity encouraged by the discourses of postmodernity and postcolonialism where the universal validity of practices such as those integral to Eurocentric accounting education has been problematised. Further, the writers argue that the study is a timely one as in recent times there has been increased concern worldwide over saving indigenous people and learning from their culture. Interviews done in the paper reflected the writers' concern that accounting programmes of Aotearoa/New Zealand evidence little reflection of the Maori culture, such as the notion that accounting could be a caring activity. Such Eurocentricity in the conventional Western characterisation of accounting education in New Zealand, the paper suggests, is a factor in creating cultural barriers to Maori access to accounting.

The insights into Maori accounting and accountability that the paper provides indicate that Western capitalistic accounting contrasts with Maori culture. Such a contrast, the paper suggests, appears to impact upon Maori student perceptions of whether university accounting education, and the accountancy profession, is for them. In pursuing ways forward, the paper seeks to avoid a crude imperialistic transformation of Maori culture but instead to learn from Maori in re-designing not just Western accounting education but also systems of Western accounting and related practices. This, the paper argues, could be achieved by changing institutions of accounting education and practice so they are much more influenced by Maori culture.

In another paper, Gallhofer *et al.* (2000) suggest that the study of diverse cultures can contribute to the development of environmental accounting and reporting. The focus of the paper is to seek insights from three indigenous cultures: the Australian Aboriginal, the Maori and the Native American. Insights from these cultures, the paper argues, could challenge mainstream and Western practices in seeking to develop alternatives.

The paper builds on Said's (1978; 1993) position when arguing that the West holds a negative attitude to cultures other than its own. Gallhofer *et al.* (2000), furthermore, consider their study to be consistent with critical theory as they suggest that critical theory has a sensitivity to the difference of such cultures and contexts. It is, for instance, concerned to counter the crude excess of Western ethnocentrism. At the same time it has a particular critical intent that is concerned not just with understanding or interpreting the world but also with changing it. The paper outlines some of the 'environmental principles' of these three indigenous cultures and recommends that 'regulatory' practice in general, including accounting, be informed by such principles to its betterment.

Greer and Patel (2000) paper provides evidence of cultural differences between indigenous Australian and the Western capitalist values implicit in the language of accounting and accountability. Utilising an alternative yin/yang framework for accounting by Hines, the paper argues that the core indigenous yin values of sharing, relatedness and kinship obligations inherent in indigenous conceptions of work and land, are incompatible with the yang values of quantification, objectivity, efficiency, productivity, reason and logic imposed by accounting and accountability systems. This system of values, the paper argues, brings into question the impact of accounting and accountability systems on the indigenous peoples of Australia whose beliefs, norms and values are organised differently. The study highlights the critical need to address such a conflict for all the world's indigenous people, but especially in the case of Australia because of the insistence by governments, at both states and federal levels, that the extreme social and economic disadvantage experienced by the Australian peoples can be dissipated by the imposition of strict financial accountability measures for all indigenous organisations and representative bodies. The paper concludes by arguing that the conflict of values is a significant reason why accounting and accountability systems are not likely to deliver fair social and economic outcomes for the indigenous peoples of Australia. The paper suggests that there is a need to devise ways of integrating different holistic disciplinary perspectives on indigenous culture values (as opposed to the universal acceptance of Hofstede's taxonomy) which may achieve greater forms of completeness and improve the understanding that accounting practices are contextual, and are implicated in the cultural, social and political circumstances. The paper maintains that conventional Western discourse should no longer ignore or dismiss



the political, social and cultural circumstances of indigenous peoples who experience other world-views.

Gibson (2000) paper also touches on the issue of indigenous people in Australia. The paper examines accounting concepts in the light of hunter-gatherer social economy and the unsuitability of modern accounting to provide for a social accountability. The paper argues that the meaning of today's accounting concepts is in many instances directly opposed to the understanding of these concepts in traditional Aboriginal societies. The paper illustrates that in many cases attitudes remain that hold Aboriginal organisations to higher level of accountability than other governmental funded bodies. These accountability hurdles, that effectively restrict access to resources, are simply a less overt continuation of the processes of dispossession. The paper thus argues that whilst physical dispossession of Aboriginal peoples is now being acknowledged, and land rights gradually restored, a more insidious form of dispossession, in the guise of accountability, is taking its place. The imposed accountability, the paper elucidates, requires control, and the notion of accounting control is antithetical to the mutual trust that is at the heart of Aboriginal society. A greater concern is that the inequitable requirements for accountability between Aboriginal organisations and other organisations perpetuates a 'separatist' idea, not in the sense of separate and equal, but in the sense of separate and less capable. As the case in Greer and Patel (2000) paper discussed above, Gibson (2000) argues that accounting and accountability fail to take into account the richness of social structures and the values of wisdom and experience. It is, the paper concludes, dispossessive.

Davie (2000) paper discusses the involvement of accounting in imperial expansion in the South Pacific during the mid-nineteenth to the mid-twentieth century. It examines the way in which the practice of accounting became involved in the production of a calculative knowledge of imperialism. The paper explores the process through which an indigenous Fijian elitist structure was transformed into a British instrument of domination and control. The study also explores the way which accounting calculations and explanations were imposed upon the indigenous chiefs and the way in which accounting, once imposed, was used as an integral part of imperial policies and activities for Empire expansion. The paper highlights that before annexation what was previously seen to be just a question of an 'American debt' came to be seen as requiring formal imperial intervention. The paper concludes that accounting as an administrative

system of accountability became an integral part of a British-imposed collaborative system of imperialism.

In another paper, Davie (2002) argues that financial economic quantification using accounting concepts and analysis was always an essential and integral part of effective policies and activities for Empire building. In particular the paper critically evaluates the way in which accounting was mobilised in processes of colonial administration that helped construct a bifurcated South Pacific nation state in the mid 1800s and has persisted since. The paper draws from the extant literature on imperialism and colonialism and in particular from 'indirect rule', and through an examination of archival data. The paper highlights the ways in which accounting helped translate imperial forms of oppression and exclusion into practice. The paper argues that in British Fiji, citizenship operated as an instrument of social stratification where claims of status were not only to a hierarchical social structure but were also based on ethnicity. Native Authority became a fetish for the colonised population, and it was this fetishism and the lack of challenge from the natives that denied them citizenship in their own land. The paper explains that the establishment of the Native Authority provided an impetus for the use of double-entry accounting in colonial control of the native population in Fiji. With an institutional structure in place, innovations through accounting provided a new way of controlling and co-ordinating the subjected population within the colonial systems of government. Accounting featured prominently in, for example, providing a rational justification for Native Taxation Regulations. According to Davie (2002), accounting not only helped to reflect but also to create and reinforce native hegemonic structures of power within a British colonial form of imperial structure. Once established, the paper argues, accounting calculations were also used to justify as well as interrogate specific policies relating to the maintenance of the Native Authority. Also, an examination of the native taxation policies reveals that the power of accounting resided in its ability to simultaneously serve multiple interests.

Chua and Poullaos (2002) paper sheds some light on how the state-profession nexus impacted upon the early professionalisation of accounting. It does so by examining interactions between the Institute of Chartered Accountants of England and Wales (ICAEW) and the accounting associations in self-governing colonies in Australia, British North America and Southern Africa in the period 1880-1907. The paper builds on Said's (1993) argument that the past is not concluded but continues in the present.



Globalisation, in accordance, is emphasised not as a recent phenomenon, but rather as first established and made possible by the modern empire. The study also builds on the existing professionalisation literature that suggests a close relationship between the state and the profession. The paper looks at how the mutual and joint impact of a number of colonial arenas on each other and on the imperial centre contributed to the construction of an imperial accounting. The writers suggest that such assumptions could also be extended to today's international accounting initiatives in the context of globalisation.

Annisette's (2000) paper seeks to understand and explain the dominance of the British-based Association of Chartered Certified Accountants (ACCA) in the education and certification of professional accountants in Trinidad and Tobago (T&T), a former British colony. The paper illustrates how the interests of a UK-based accountancy institution intermeshed with those of the local accounting elite to subvert the nationalistic goal of indigenising accountancy training in T&T. The paper explains that the nature and development of modern-day professional structures in Britain and its former colonies are linked to the process of imperialist expansion. This notion was introduced in a series of studies published in the 1970s. In a paper consolidating this work, Johnson (1982) characterised British professional bodies as imperial bodies with imperial interests, not only because of their distinct penchant for empire building, but also because of the very important Empire-management functions that they served. According to Johnson (1982), the British professions and the British imperialist state developed in close symbiosis and it was this unique articulation of profession formation and state formation in the context of an Empire that gave rise to the most noted peculiarities of the British profession.

The paper concludes that, except for a brief period in its history, the emerging T&T profession consistently marginalised the indigenous university which did appear eager to participate in the education and certification of the country's accountants. The ICATT (The Institution of Chartered Accountants in Trinidad & Tobago) instead, surrendered control of its knowledge functions to the UK-based ACCA. Not only was this action inconsistent with behaviour as postulated by contemporary sociologists of the profession, Annisette argues, it was also inconsistent with the goal of indigenisation, the ICATT's mandate. The paper has suggested this was because the knowledge link created between the ICATT and the ACCA provided net status benefits to the ICATT and the profession as a whole in the context of change in the constitution of professional



accountancy in the post World War II era. Further, it has suggested that the ICATT was able to pursue an option that was not consistent with its mandate because it was an option supported by and compatible with the broader aims of international capitalistic interests. The paper implicitly points to a need for increasing our understanding of the nature of the Anglo-American accounting multinational. As the case reveals, the success of these organisations in penetrating the T&T accountancy services market was facilitated by the fact that they were perceived by the local accounting elite to be in the possession of some competence-enabling accountancy knowledge. This suggests that the possession of 'higher status knowledge' (p. 656) may be an important firm specific advantage of these multinational service enterprises and might potentially explain their success in overseas markets, and might explain the source of accountancy's prestige and its general ability to sustain and maintain high status rewards independent of an established university link.

In another paper Annisette (2004) examines the nature and role of the World Bank in the management of today's global capitalist economy. The paper contribute to revealing the financial and institutional pressures that derive the Bank to pursue the interest of private international capital and show how these pressures, coupled with operational factors ensure that the Bank's socio-environmental goals remain at best marginal to its overall agenda. The paper further explores the role of accounting in the nexus of relationships with which the World Bank is situated and considers critical accounting's potential contribution to research on the role of accounting and accountants in Third World Development. The paper raises a number of questions for consideration by the critical accounting research into the relationship between IASs, World Bank policies and the expansion of capitalism. For instance, the paper calls for exploring how the accounting industry and the Big five accounting firms have benefited from the World Bank activities. It also calls for greater illumination on how accountants and accounting have served the Bank's capitalist causes.

Rahman *et al.*, (2004) paper explores the impact of the constant pressure to comply with the requirements of funding agencies, such as the World Bank, on environmental reporting in a Ghanaian public sector organisation (Volta River Authority VRA) in order to provide institutional legitimacy. The paper shows how sophisticated accounting techniques are currently being used by the VRA to justify and legitimise historic agreements made between the Ghanaian State and the World Bank. The end result of



these prior agreements is an electricity pricing structure in which the rate paid by Ghanaian population is five times the rate charged by the VRA to a World Bank sponsored aluminium transnational operating in Ghana. An analysis of the project financing revealed that whereas the Ghanaian government had provided almost 70% of the funding, the aluminium transnational was guaranteed 60% of the electricity output at a fixed rate (fixed in the early 1960s) for fifty years. Therefore, the entire funding structure of the project served to provide the aluminium transnational with a cheap source of electricity, whilst the entire country bore the costs of the project.

Alam *et al.* (2002) paper explores the colonial roots of present day economic management in Fiji and to illustrate how accounting and control systems are implicated in such practices. The paper concentrates on the case of the Fijian Development Bank (FDB). It elaborates how the bank, today, is faced with the impossible task of reconciling a history of colonisation and racial discrimination with the forces of globalisation and drive for economic development. The establishment of profit-centres at Branches levels and insistence on profit-driven, commercialised loan and repayment policies, the paper maintains, contrast with the communal culture of its indigenous people. The analysis in Alam *et al.* (2002) paper attempts to make clear the socio-historic specificity of the contradictions and raises questions about the meaning of development and the nature of development banks. The paper concludes that the FDB's decision to increase profitability through the introduction of new profit-based technology remains contradictory to its (social) development role as assigned by the charter that regulated its formation. Outside influences, the paper elucidates, demand profit-driven accounting practices but may fail to appreciate the socio-political realities of developing countries as illuminated in the study. The paper explains that the nature, role and accounting in development banks in such countries will surely differ from those of a commercial bank. At present, the paper maintains, we lack accounting systems that reflect other than private interests, and extant systems struggle to act as arbiters in social conflicts, possibly adding to other than helping to overcome social tensions and contradictions.

McNicholas *et al.* (2004) explored the impact of Aotearoa/New Zealand's imperialist history in shaping Maori women's experience in the accountancy profession. The paper sought to give Maori women accountants a 'voice', listened to their 'stories' and offered some insight into the continuing impact of Aotearoa New Zealand's imperialist history



in shaping their experiences. The paper's theoretical framework joined the postcolonial and feminist debates in its analysis of Maori women accountants experience in Aotearoa/New Zealand. The paper concluded that the accountancy profession and its organisations need to acknowledge and begin to listen to Maori women's experiences. The paper also suggests that unless effective policies and strategies are developed to address the needs of Maori women, the similar needs of Maori clients might also not be met.

#### 2.3.2.2 Postcolonialism and Accounting in the Arab Middle East

A review of a number of studies that discuss and investigate accounting practices and regulations in the Arab world indicates the absence of theorisation building on postcolonial theory and studies. Studies of accounting in the Arab Middle East, whether the social accounting literature (see Naser and Abu Baker, 1999; Abu Baker and Naser, 2000; Attia, 2000; Jahamani, 2003; Al-Khater and Naser, 2003) or the international accounting literature (see Abdeen and Yavas, 1985; Kayed, 1990; Al-Rehaily, 1992; Fakhra, 1992; Helles, 1992; Al-Rumaihi, 1997; Suwaidan, 1997; Abd-Elsalam, 1999; Beard and Al-Rai, 1999; Joshi and Ramadhan, 2002; Abd-Elsalam and Weetman, 2003; HasabElnaby *et al.*, 2003; Islam, 2003) seem to lack, in most cases, significant engagement with critical theorisation and perspectives, including the postcolonial one.

Abdeen and Yavas (1985) paper, for instance, discusses accounting education in Saudi Arabia and offers possible avenues of change for improvement. The material presented in the study draws on several sources, including personal interviews with accounting educators and government officials; reviews of the catalogs of Saudi universities offering programmes in accounting; and the authors' observation as educators of the contemporary Saudi accounting scene. The paper concludes that the immediate prospects of accounting education in Saudi Arabia appear bleak. The study argues that the number and quality of accounting programmes offered by Saudi universities are inadequate; accounting educators, while have the necessary educational qualifications, most of them lack the essential knowledge of Saudi economic, business and social environments. Saudi accounting students, the paper maintains, receive instructions on Egyptian, British and American practices, and they must adapt them to the Saudi environment after completing their studies. The study, accordingly, recommends changes in several areas. These include an emphasis on modern accounting concepts



and techniques suitable to the Saudi environment such as social accounting, environmental changes, pollution, inflation and other contemporary issues, which the study suggests should be taught from an accounting point of view. The study also suggests that graduate education in accounting should be developed and promoted to accelerate research activities, especially in respect of new developments in the accounting field. It also suggests that more Saudis should be encouraged to pursue higher education leading to a terminal accounting degree to reduce the number of non-Saudi faculty.

While Abdeen and Yavas (1985) paper highlights significant shortcomings in accounting education in Saudi Arabia, the paper fails to discuss them in light of a theoretical framework. The dominance of Western or Western informed educational programmes, for instance, is not explored in the light of the historical and socio-political or economic context of Saudi Arabia. The paper does not provide a critical interrogation of the Western colonial and imperial experience(s) in the Arab/Islamic world and their impact on the spread of insensitive domination of Western style accounting education programmes in Saudi Arabia. While the paper suggests that programmes such as social accounting should be introduced to Saudi accounting education programmes. It does not highlight the close relationship between social accounting and accounting in Islam (see chapter four). Social accounting, in Abdeen and Yavas' paper, is seen as modern accounting concepts and techniques that could be enhanced through Saudi academics' attendance of international conferences. Little time is spent in the paper to construct a theoretical framework that would investigate the capitalistic nature of Western style accounting education and certification in general and its role in displacing social or Islamic accounting from mainstream accounting education in Saudi Arabia.

Another study concerned with researching accounting in Saudi Arabia is Al-Rehaily (1992) study of the evolution of accounting in its environmental setting in Saudi Arabia. The study main purposes are to highlight the main shortcomings in each component of the accounting system (education, profession, enterprise, government and national accounting) in Saudi Arabia and to put forward recommendations for improvement which reflect the socio-economic development needs in the country. The study highlights the significant influence of the Anglo-Saxon accounting system on the Saudi accounting system. The study describes the Anglo-Saxon accounting system to be complex to operate, especially in a country with a relatively less sophisticated



accountants' audience. It also highlights the Anglo-Saxon system's emphasis on external reporting and external auditing and its virtual exclusion of government or public sectors needs that are fundamental for the Saudi's setting. The study suggests that most accounting shortcomings in Saudi Arabia would be alleviated by the adoption of a uniform accounting system that would facilitate the collection, storage and communication of accounting data, and facilitate the training process and transfer of 'know-how' and skills. The study also concludes that the prevailing conditions and circumstances of the accounting environment in Saudi Arabia indicate that a national uniform accounting system would be both desirable and feasible. These conditions and circumstances include, the study argues, centralised development plans, the need for economic development, the small size of the private sector, the relatively low accounting education level, the weakness of the accounting profession, and the low level of management training. The study's theoretical framework builds on five models that prescribe ways to improve accounting in developing countries. These are: Scott's Approach-EEvA, AAA's Approach-EDA, Needles's Approach-TAT, Holzer and Chanlers' Approach-AS, and Tipgos' Approach-TES. The study attempts to employ these general approaches or models and adjust them to the Saudi particular setting. It also realises some of their shortcomings such as assuming that the overriding objectives of accounting in developing countries is the economic development of these countries. The study, however, falls short of analysing the impact of the Anglo-Saxon system(s) of accounting from a critical theoretical perspectives. The study also fails to bring insights into the Saudi particular context that would challenge or provide an alternative to the dominant conventional Western perspective of accounting.

Similar to the above two studies of accounting in Saudi Arabia, studies of accounting in the Arab world fail to significantly employ a critical analysis in general or postcolonial in particular into their study of accounting in Arab countries. A study of the impact of environmental factors on accounting development in Egypt by HassabElnaby *et al.*, (2003) empirically investigates the directional and size effects of the environmental factors on the development of accounting there. The study tests the relationship between accounting and its business environment over time. Four environmental factors are used to explain the variation observed over time in accounting development. These factors highlighted in the study are (1) the economic environment, (2) the political environment, (3) the development of the stock market, and (4) privatisation of state owned corporations. The theoretical framework of the paper suggests that more



advanced levels of economic development are associated with relatively high levels of disclosure and reporting practices. In countries with extremely low levels of economic development, the framework maintains, there is very little economic activity and accordingly, the accounting profession is highly undeveloped. As economies develop, the framework suggests, the social function of accounting to measure and communicate economic data becomes more important. The theoretical framework also suggests that the political atmosphere in general and political rights and civil liberties in particular have significant influence on the development of accounting practices. The framework also suggests that the form of government, dictatorship or democracy, influences the national culture, which in turn influences the business and accounting environment. Another assumption of the theoretical framework of the study is that the development of stock market significantly influences the accounting environment of any country, especially developing countries. Finally, the framework suggests that privatisation may impact the accounting practice and disclosure in a specific environment. The study develops hypotheses to test the assumptions put forward by the theoretical framework. The findings of the study obtained from statistical tests indicate that there is a strong relationship between the environmental factors and accounting development in Egypt and that this relationship varies with time. The empirical findings, according to the paper, indicate that the level of the economy and the political environment are positively correlated to the accounting development in Egypt. While the study examined the impact of a stock market and privatisation on accounting in Egypt, it does not engage in a critical analysis of the impact of globalisation and international organisation on Egypt choices of accountings and economic policies.

Another Egyptian study, Abd-Elsalam and Weetman (2003), touches upon the introduction of International Accounting Standards (IASs) to the Egyptian emerging capital market. The study stresses the effect of relative familiarity and language accessibility on the IASs disclosures when IASs are first introduced in an emerging capital market. The study focuses on the annual reports of listed non-financial companies in Egypt when IASs were first introduced. Statistical tests are employed to a sample of listed company annual reports and evaluate compliance with IASs in relation to corporate characteristics. The paper suggests that familiarisation with new legislation is more problematic when the authoritative source material is not available in the local language. The study develop hypotheses to test the impact the level of compliance with familiar aspects of IASs disclosure requirements in comparison to the level of



compliance with relatively unfamiliar aspects of IASs disclosure, where both sets of requirements are available in Arabic. The study argues that popular theories in studying compliance and disclosure such as agency theory (one way of reducing agency costs is to produce accounting reports and to increase the amount of information included in these reports) and capital need theory (the need to raise capital is a prime motive for disclosure) fail to support the findings of this study, where regulations are unfamiliar and not available in the native language. The study suggests that new variables have to be considered and additional explanations have to be found in future disclosure studies on emerging capital markets. As the case with HassabElnaby et al. (2003) paper, Abd-Elsalam and Weetman ignore the impact of the colonial experience and neo-imperialism on accounting practices in Egypt. They also do not engage in a critique of IASs and its role in the new global, neo-imperial order.

The adoption of IASs is also discussed by Joshi and Ramadhan (2002) but from a Bahraini perspective. The study examines accounting practices and the degree of compliance with international accounting standards (IASs) by small and closely held companies in Bahrain. The study carries out a survey to assess the acceptability of IASs by small and closely held companies in Bahrain. The study concludes that the present trend in Bahrain is to adopt IASs rather than the US or UK GAAPs. A majority of small and closely held firms in Bahrain, the study explains, have already voluntarily adopted IASs. The study maintains that the primary influence on the decision to adopt IASs were the external auditors, banks, and management. The role of the Ministry of Commerce and other governmental agencies, the paper argues, was negligible. The paper does not state an explicit theoretical framework for the study or engage with a critical examination of IASs.

Suwaidan (1997) study focuses on the voluntary disclosure of information in corporate annual reports in Jordan. The study's objectives are (1) to evaluate voluntary disclosure practices in the annual reports of Jordanian companies listed on the Amman Financial Market (AMF); (2) to examine the relationship between a number of explanatory variables and the extent of voluntary disclosure; and (3) to investigate the impact of raising equity capital on the AFM on the voluntary disclosure behaviour of companies which raised equity capital on AFM. The study identifies three theories which attempt to provide explanations of, and incentives for, firms to voluntarily disclose information:



signalling theory<sup>28</sup>, agency theory<sup>29</sup> and information risk theory and capital need.<sup>30</sup> The findings of the study revealed that the actual level of voluntary disclosure in Jordanian corporate annual reports is low. The study also found that the level of voluntary disclosure varies depending on certain company characteristics: the size of company; size of auditing firm; government ownership and the industry type. The study also finds that companies have significantly increased their level of voluntary disclosure around the time they raised equity capital in AFM.

The few studies in social accounting have also overlooked the significance of critical perspectives and postcolonial theory to the study of accounting in the Arab Middle East. A study by Jahamani (2003) exploring green accounting in UAE and Jordan studies environmental reporting in these countries. The paper examines the extent to which corporate decision-makers in Jordan and UAE are aware of, involved in and report the environmental responsibility of their companies. The study concludes that corporate decision-makers in both countries are aware of the importance of environment protection. Environmental laws, philosophy of top management, suggestions from environmental protection society, and alignment with parent company are the main factors that lead to the awareness. This awareness, however, the study explains, is not reflected on corporate involvement and reporting of green issues.

Similarly, Al-Khater and Naser (2003) studied users' perceptions of corporate social responsibility and accountability in Qatar. The paper reviews briefly the contextual environment in Qatar and suggests that social responsibility information can assist the religious groups in making judgement about corporate social involvement. The study also suggests that the corporation reflects its image by disclosing the degree of its involvement in social and ethical responsibility issues. The study argues that the IASs, by not addressing social responsibility are perceived to be deficient in identifying to what extent a company contributes to the social and economic development of a country. The study carries out a questionnaire that is distributed to accountants, external auditors, academics and bank officers in Qatar. The questionnaire sought

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<sup>28</sup> Signalling theory addresses problems that could arise because of the existence of information asymmetry in the market (Suwaidan, 1997, p.8).

<sup>29</sup> 'A contract under which one or more persons (the principal(s) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent'. (Suwaidan, 1997, p.16)

<sup>30</sup> Rational decisions are based on information, therefore, rational decision-makers utilise all the available information in order to reduce the amount of uncertainty present (Suwaidan, 1997, p.20)



respondents' opinion about different aspects of corporate social responsibility disclosure and the accountability concept. The paper finds that the initial response of the participants was in favour of corporate social responsibility disclosure in annual reports. According to Al-Khater and Naser (2003), although the participants emphasised the typical objectives of corporate reporting in providing information to shareholders, creditors and management, they disagreed with the proposal that corporations do not have social responsibility. Participants have strongly supported the suggestion that corporations bear some sort of social responsibility to justify their existence within the society.

Naser and Baker (1999) examined the possibility of introducing social responsibility reporting to form part of Jordanian companies' annual reports. The paper carries out an empirical survey to explore the views and perceptions among financial managers, public accountants, academicians, and government representative of Jordanian shareholding companies in regard to notions of corporate social responsibility and accountability and the disclosure of corporate social responsibility information, and possible socioeconomic effects. The study builds on the accountability approach (see Gray *et al.*, 1996) in its theorisation, suggesting that it can provide a more satisfactory basis for corporate reporting and disclosure practices. The empirical findings reported in the study show that a vast majority of respondents are willing to accept that Jordanian shareholding companies should disclose corporate social responsibility information. Participants, Naser and Baker (1999) maintained tended to believe that these companies would be unwilling to disclose this type of information without legal and professional pressure. Participants, the study explained, revealed positive attitudes towards the notion of wider social responsibility of companies to more extensive range of stakeholders (including society at large). Finally, according to Naser and Baker (1999), agreed that members of society, other than providers of finance (including government departments, employees, local communities, consumers, and society at large) should have the right to information concerning actions for which the company may be held responsible.

The above review of a number of studies researching different aspects of accounting in a number of Arab countries reveals the absence of a critical theoretical framework, including one that investigates the colonial and imperial relations and their impacts on accounting education and practices in the Arab world. The studies reviewed in this



section highlighted and discussed important accounting concerns in the Arab world such as accounting education in an Arab country; the impact of environmental factors on accounting evolution in an Arab country; the introduction of IASs and social and environmental accounting in an Arab country. They, however, fell short of discussing these concerns in relation to a theoretical framework that critically explores, for instance, the significance of accounting knowledge in translating imperial policies into practice (cf. Neu, 2000, 2000a, 2004). There seems to be little, or even no critical analysis of Western accounting practices and education as forms of insensitive cultural imperialism (cf. Gallhofer et al., 1999). There appears to be an overall acceptance of the 'universal validity of Western practices and ways of doings, for instance, in studying IASs in Egypt (Abd-Elslam and Weetman, 2003) and Bahrain (Joshi and Ramadhan, 2002), little emphasis has been employed to investigate IASs as an integral part of Western systems of imperialism, or on connecting between globalisation, accounting and neo-imperialism (such in Chua and Poullaos, 2002; Annisette, 2000, 2004). These studies have also fallen short of drawing attention to the way that Arab/Islamic culture and perspectives can improve accounting education and practices. There seemed to be little problematisation of the dominance of Western values implicit in the language of accounting and accountability. Arab research studies of accounting, could have alternatively, highlighted the unsuitability of these values (such as the privatisation, quantification, objectivity, efficiency, productivity) for Arab/Islamic values (cf. Greer and Patel, 2000).

This study will attempt to fill this gap in Arab accounting literature. It will discuss the impact of imperialism and colonialism on accounting in the Arab world, past and present. It will critically analyse Western accounting institutions and practices that has claimed a universal character, as forms of insensitive imperialism. The study, informed by postcolonialism, will attempt to overcome the cultural barriers to access to accounting created by the Eurocentrality in the conventional Western characterisation of accounting. It will do so by bringing insights and perspectives from the Arab/Islamic culture and people, which can aid in re-designing systems of Western accounting through transactive/transcultural dialogue much more influenced by other, non-Western culture including the Arab/Islamic one.



## 2.4 Discussion and Conclusion

Chapter two has been concerned with developing a theoretical framework for the study of social accounting in a number of Arab countries in the Middle East. The framework was influenced by the critical accounting school debates and vision, especially as developed by Gallhofer and Haslam (2003). The framework has also extended the critical school debates to encounter insights from postcolonial theory and studies. Chapter two commenced with a brief review of dominant theories used in investigating corporate social reporting in the bulk of the social accounting literature- termed 'Middle ground approach theories'. The chapter then brought forward the critical accounting school's critique of this middle-ground approach arguing that the failure to acknowledge and reflect on the underlying political values and anomalies under the global capitalistic system resulted in this research dealing with symptoms and not causes, and being limited to technical problems rather than seeking to address the fundamental and philosophical questions of the ways and means by which we are governed, monitored and regulated (Owen *et al.*, 1997). This in turn brings into question the ability of the social accounting project under the middle-ground approach to be enabling and emancipatory, and the ability of that approach to challenge or go beyond the current manifestations of accounting/social accounting.

As mentioned earlier, the theoretical framework developed in this chapter is in line with the critical accounting school's approach and theory where conflicts and power asymmetry are placed at the forefront of the analysis and where accounting/social accounting is seen as a social and political practice that, in many cases, is participating in the enhancement and preservation of the repressive features of the current global capitalistic society. Accounting/social accounting, in this sense, has been viewed as effectively serving the underlying political hegemony of the capitalistic system and fails, consequently, to serve the whole community or the public interest (Lowe *et al.*, 1991; Gallhofer *et al.*, 1991; Gallhofer and Haslam, 2003). In the meantime, accounting/social accounting under the critical school approach has an emancipatory potential to overcome repressive obstacles as a communicative social practice. This emancipatory potential could be materialised through the continued engagement with praxis, and continued challenge to the financial economic focus of conventional accounting. Social accounting manifestations, therefore, can be conceived as falling



between two opposite orientations, the 'emancipatory/radical' and the 'repressive/counter radical'. In between these orientations, one can conceive a variety of positions (Gallhofer and Haslam, 2003). The critical school debate illustrated in this chapter provide a framework for this current study for the exploration of the 'emancipatory/radical' and 'repressive/counter radical' actualities and potentials of social accounting and reporting manifestations in a number of Arab Middle Eastern countries. The study extends these debates to incorporate those of postcolonial theory and studies.

Consistent and in parallel with the critical theory's concern with the political and philosophical questions of the ways and means by which we are governed and regulated, postcolonial theory and studies highlight and critically question the problematic relationship between Western imperialism and the historically repressed colonised nations. Postcolonial theory, in that sense, revisits the colonised past and exposes the ways in which different forms of imperialism have been able to achieve control over a vast part of the non-western world by force, political collaboration, economic, social or cultural means. The theory, furthermore, casts a light into the sense in which imperialism continues to linger in a new mode of Western imperialism through globalisation. Postcolonial theory, furthermore, questions the specific political, social and economic configurations of imperialism and globalised capitalism where cultural Eurocentrism of the West still confirms the non-western to a secondary racial, cultural and ontological status (Said, 1978). This Eurocentrism continues the efforts to cancel cultural differences and values of the non-West and replace them with Western cultures and values. The present liberal world order, in this context, with its global institutions of international governance, has come to be a product of Western, especially US, hegemony and imperialism. International governance, institutions and initiatives, consequently, have taken the supremacy of Western models and cultures for granted and have assumed their yardstick to be universally normative (Sadiki, 2003). In this respect, this study attempts to investigate the impact of the colonial and imperial experience on the development of accounting/social accounting practices in a number of Arab countries in the Middle East that were at one time British or French colonies. The study will argue that the way accounting/social accounting is developed in a number of Arab countries and the way that international accounting/social accounting standards and initiatives, which already have a wide acceptance and application in the Arab world, or could have in the future, are developed, demonstrate and confirm a form of cultural



imperialism and insensitive Eurocentrality where Western practices and culture negate and replace the culture and beliefs of the natives in the non-Western world. It will be argued in this study that a significant feature of accounting/social accounting manifestations in a number of Arab countries represent a Western hegemony that attempts to enhance Western politics, culture and economic interests and models through international organisations, including international accounting organisations.

Postcolonial theory provides the study with a vision for changing the status quo and prescribes a way-forward for the betterment of accounting/social accounting practices in the Arab world, where accounting would play a more emancipatory role in society. This prescription accommodates perspectives from the cultural values of the Arab Middle East and allows the global community an insight into the rich historical and cultural experiences of Arab countries of the Middle East that would enrich and participate positively into the global and universal debates and vision for an emancipatory accounting/social accounting. This could be achieved through considering Postcolonialism's calls for the abandonment of the clash of civilisations and the destroying of confrontation (Said, 2000) and the adoption of a transactive/transcultural approach for developing international standards. In this sense, global and international accounting organisations, as global governance organisations, are engaged with a transactive/transcultural process that involves a two-way process of interactive dialogue, negotiations and exchange, where East and West have equal participation and where the colonised culture and needs are not repressed or ignored, and the West does not remain the privileged meeting ground for the setting of international standards. In this context, colonised people will be listened to and their ideas are known. Postcolonial theory and debates, it is suggested in this study, participate significantly in forming a basis for theorising, investigating and prescribing social accounting in the postcolonial world of the Arab Middle East.

The next chapter will embark on delineating and understanding social accounting from critical and radical perspectives. It will also engage in a critique of the contemporary corporate social responsibility and social accounting manifestation in the Western (mainly Anglo-Saxon) context. This Western context, as the study will argue, is problematic and its universal validity is questionable.



## Chapter Three

### Delineating Social Accounting

#### 3.1 Introduction:

Chapter three aims to shed some light upon the delineation of and contemporary debates and critique surrounding social accounting. The chapter seeks to delineate social accounting by concentrating on its perceived role in the society and by highlighting a number of social accounting characteristics in regard to its scope(s), focus(es), form(s) and purpose(s) that would contribute to enhancing the radical and emancipatory potentials of social accounting. It also considers a number of social accounting and reporting initiatives and manifestations, especially in a Western, English-speaking context. This is done because it is, as the study elaborates, from this Western context that international efforts for developing and promoting social accounting are largely derived. Critical questioning of the emancipatory potential and the universal suitability and applicability of these manifestations is, therefore, crucial for any study investigating social accounting in any part of the world.

The chapter commences by reviewing debates surrounding the contemporary corporate social responsibility movement as a main driving force behind the resurgence of contemporary social accounting. It will be argued in this chapter that the contemporary corporate responsibility movement is predominantly a voluntary exercise led by business and business initiatives, in the sense that there is a lack of substantial legislation or quasi-legislation to regulate corporate social responsibility in society. Corporate social responsibility, as a result, has been largely mobilised by business for strengthening and enhancing an organisation's strategic management procedures rather than increasing business accountability and sustainability (Owen *et al.*, 2000). It has thus failed, in most cases, to challenge the conventional perspectives of the relationship between business and society. The nature of current social accounting, as a manifestation of corporate social responsibility, will then be discussed. The delineation and understanding of social accounting in this study perceives the role of social accounting in society to be an emancipatory and enabling one that ought to provide a 'radical critique' of the socio-political order, challenge the existing understandings and practices of accounting and provide a radical alternative to these understandings and practices (Bebbington, 1997; Gallhofer and Haslam, 2003). The chapter will later argue that social accounting manifestations in the West have overall failed to play this emancipatory role. In general, social accounting, as in the case of corporate social



responsibility, has relied on business initiatives, which have allowed this activity to be largely captured by economic business interests. Manifestations of social accounting, therefore, have, rather, tended towards a counter radical type of social accounting, geared to the protection of the existing repressive socio-political order (Owen *et al.*, 2000; Gallhofer and Haslam, 2003). The chapter then provides a critical examination of one of the most influential corporate social responsibility initiatives, the Global Reporting Initiative (GRI), arguing that the GRI, as part of the corporate social responsibility movement, is in danger of failing to deliver an emancipatory role in global societies. The GRI, it will be argued, falls into the trap of being at best a mildly progressive initiative that significantly represents western business thoughts and needs, and reinforces the voluntary nature of contemporary corporate social responsibility and social accounting.

### **3.2 Corporate Social Responsibility**

The conventional economic view holds that management has one responsibility: to maximise the profit of its owners or shareholders. This classical economic school, led by economist Milton Friedman, argues that '*social matters are not of concern for business people and that these problems should be solved by the unfettered working of the free market system*' (Carroll, 1993, p37).<sup>31</sup> Organisations, consequently, were encouraged to operate on the assumption that the whole goal of the firm was to maximise shareholders' wealth, justified on occasions by the appeal that some of this wealth might be released- most obviously through allocation via tax- to correct the social and environmental harm that resulted from the accumulation of wealth. Any other objectives were seen as manipulating the rights of shareholders to use the resources or gains from corporate activity according to their own preferences, which may or may not include social issues (Gallhofer *et al.*, 1998; Richardson *et al.*, 1999). In other words, a company that is using resources for purposes other than the search for profit is, according to some researchers, behaving irresponsibly. In turn, for some, if companies showed concerns for other objectives such as employees' welfare and environmental protection, assuming these objectives are incompatible with profit maximisation, should be penalised (Richardson *et al.*, 1999). This conventional economic view, however, is no longer a dominant one, as one of the major shifts in business and strategic

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<sup>31</sup> Milton Friedman (1970) criticised corporate social responsibility by stating that 'few trends could thoroughly undermine the very foundations of our free society as the acceptance by our corporate officials



management over the last 20 years has been the recognition that business and society are inextricably linked and that business institutions have a social responsibility and goals that are wider than the commitment to the maximisation of profit and shareholder wealth (Cannon, 1992; Carroll, 1993; Richardson *et al.*, 1999).<sup>32</sup>

The core of the social responsibility concept remains ambiguous and illusive (O'Dwyer, 1999). Debates surrounding corporate social responsibility suggest that the promotion of accountability and transparency should be at the heart of the corporate social responsibility movement (Owen *et al.*, 2000). The upsurge in the contemporary corporate social responsibility movement, which has been taking place since the late 1980s, has been attributed to a number of factors. Among these is the increase in community awareness of the business' impact on the environment and the disadvantaged (Cannon, 1992). The controversial issue of globalisation and its effect on societies has largely contributed to the current resurgence of interest in corporate social responsibility (Swift, 2000). Globalisation, as a contemporary social trend, is seen by its proponents as the way to world-wide liberal democracy, huge efficiency gains, increased consumer satisfaction, enhanced environmental consciousness, enabled greater intercultural communication, and an end to warfare. In contrast, critics consider contemporary globalisation as a destroyer of democracy, a return to a postcolonial imperialism, a deepening of social inequalities, a suppressing of venerable cultures and responsible for major ecological damage (Scholte, 1999). In this regard, debates surrounding globalisation and multinational companies (MNCs), whose increasing size and power today is a good example of the fruits of contemporary globalisation, have contributed to the increased focus on corporate social responsibility. On the one hand, proponents of globalisation claim that MNCs pay their workers more than the national average, create jobs faster than domestic firms, and bring in Western expertise and technology to developing countries. On the other hand, MNCs are said to be destroying

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of a social responsibility other than to make as much money for their stockholders as possible' (cited in Bichta, 2003, p.15).

<sup>32</sup> The classical view of business responsibility has been challenged by new arguments that made their appearances in the 1980s. These new arguments attach a new meaning to corporate social responsibility as they consider: a new stakeholder approach as opposed to the traditional view of promoting the exclusive interests of stockholders; managerial values and direction as being key promoters of socially responsible actions and the notion of organisational moral responsibility analogous to that of individuals; new aspects in corporate legitimacy; alternative to the traditional view of corporate governance and the role of an interventionist government in enhancing corporate social responsible behaviour (Bichta, 2003, p.17). The classical view has also been challenged by arguments that the 'perfect' market context does not exist and that governments in our global context do little to move towards a perfect context (see Monbiot, 2001; Held and McGrew, 2002). Calls, therefore, have increased for better at least aligning the market context with social responsibility.



jobs, stamping on wages and harming local economies (Economist, 2000d). Elkington and Zollinger (2000) explain that the 'CNN World' that we are living in has helped, to a large extent, in drawing attention to the forms of economic, environmental, and social abuse of these MNCs and made them increasingly visible. With this increase in available information, communities' awareness has increased as well, with societies demanding more information and more action regarding corporate social responsibility.

One force in particular that has had a strong influence on the resurgence of contemporary corporate social responsibility, is environmentalism, particularly in terms of a focus on sustainability (Gallhofer and Haslam, 2003). For instance, in a twenty-two country public survey on environmental attitudes reflecting the opinion of over 20,000 world citizens, the George H Gallup International Institute, as reported by Elkington (1994, cited in O'Donovan, 1999), found that the majorities of citizens in most countries indicated that the protection of the environment should be paramount, even at the expense of economic progress. This growing importance of environmentalism and sustainability helped in stressing the case for wider social responsibility. These broader concerns, consequently, began to take a higher level on the business agenda (Gray and Bebbington, 2001). The international community, in its turn, including governments, non-governmental organisations and professional bodies, have reacted to public awareness and pressure for increased focus on corporate social responsibility. In consequence, a number of initiatives have manifested such as the Kyoto Protocol on climate change that is gaining support and is anticipated to have profound implications for companies in industrialised nations. A new DowJones Sustainability Index has also been established, which shows that companies that are focusing on the 'triple bottom line' (environmental, social and financial results) have superior stock market performance (O'Donovan, 1999).<sup>33</sup>

The amount of environmental and social legislation, has also increased rapidly (Medley, 1997). States have been imposing a number of environmental and social initiatives,

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<sup>33</sup> Key initiatives developed in the West in respect of the corporate social responsibility movement in recent years are SA8000, developed by the Council on Economic Priorities Accreditation Agency (CEPAA) *Social Accountability 8000*; EMAS, The European Community Eco-Management & Audit Scheme; *AccountAbility 1000 (AA1000)* developed by the Institute of Social and Ethical Accountability (ISEA); ISO 14031 developed by the International Organisation for Standardisation (ISO) and the Global Reporting Initiative (GRI) developed by The Coalition for Environmentally Responsible Economies (CERES), Tellus Institute, United Nations Environmental Programme (UNEP), Along with business, accountancy, environmental, human rights, and labour organisations from around the world. Many of these initiatives claim international character.



including a decision by many governments to ratify the Kyoto Protocol. In the UK, for instance, a law has been issued that requires pension fund trustees to include in their statement of investment policies a comment on the extent to which they take into account social, ethical and environmental issues in determining their investment policies (see Mackanzies, 2000; Murray, 2003). Whilst the amount of social and environmental legislation is increasing rapidly, the contemporary corporate social responsibility initiatives are predominantly voluntarily ones, led by business, leaving the government's role to be basically one of somewhat detached encouragement.<sup>34</sup>

Business in its turn has also, at least ostensibly, taken the issue of corporate social responsibility on board. A number of MNCs are competing to demonstrate their social responsibility through, for example, issuing social or environmental reports and statements that portray them as socially responsible and good citizens. Organisations such as Ben & Jerry's, The Body Shop, Co-operative Bank and Traidcraft have extensively promoted their stance on social issues. They are now being joined by organisations such as BP, Shell and Nike that were once perceived as 'recalcitrant' players in the global sustainability debate and who are now actively identifying social responsibilities and instituting social performance initiatives (Swift, 2000; Holdsworth, 2000). An example of such attempts is this statement from the Chairman of BP Amoco:

"When I'm making a business decision, I must be convinced that there is a long term positive effect in the social, economic and environmental aspects. If such an effect is possible in only two of these three areas, the project under consideration is unlikely to go ahead". (cited in Holdsworth, 2000, p.17).

Another example is this statement taken from Shell's Annual Report:

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<sup>34</sup> In Europe, the EU Commission's Employment and Social Affairs Directorate issued an EU green open consultation paper on December 31st 2002. The declared purpose of the paper is to seek ways whereby 'the EU could promote corporate social responsibility at European and international level...[and] to encourage the development of innovative practices to bring greater transparency and to increase the reliability of evaluation and validation' (Aitkin, 2002). In the UK, several forces are acting as a catalyst for the swelling corporate interest in social accountability. One is the Ethical Trading Initiative, a tri-lateral consortium of corporate businesses, trade unions and non-government organisations. It is driving the adoption of codes of practice that ensure ethical trading for the supply chains of some influential retailers in the UK (Swift, 1999). On the level of corporate governance, 1999 also marked the launch of the UK Government's company law review consultation paper: a key element of which concerns the responsibilities of company directors to external stakeholders. The revised consultation paper, issued in March 2000, stressed the value of reputation and sets out new reporting proposals covering aspects of social and environmental performance (Mackanzies, 2000).



'Sustainable development underlies our strategy and is being integrated into everything Shell companies do – in oil and gas as renewables... We have to do business in the real world, with all its complexities. We look to governments to create conditions that foster social and economic development but some lack the means. We believe responsible business promotes development. We support Kofi Annan's Global Compact and the Global Sullivan Principles'. (cited in Gilmour and Caplan, 2001, p. 45)

Business, in this respect, celebrated its new-found ethical progress claiming that clear progress has now been made regarding engagement with social and environmental issues (Dey, 2001). Against these claims, however, doubts have been raised surrounding these advances, with today's societies being described as 'democratic' societies taken-over by corporations and policed only by these corporations (Monbiot, 2001, cited in Dey, 2001). These doubts are based on the notion that one of the most significant changes that encompassed globalisation in the last quarter of the Twentieth Century is the increasing decline in the role of the nation state in most countries (Dorman, 1999). Globalisation, therefore, is said to influence and limit individual governments' control over national economic policies. Together with the fact that governments have less control over their economic policies, is the fact that they will have less control over their monetary and fiscal policies. The globalisation of the world economy meant that decisions on monetary and fiscal policies are hostage to international economic conditions including the unpredictable movements of globalised financial markets (Washington, 1996).

Consequently, the unregulated, voluntarily (in the sense that it is not prescribed by law or quasi-law) nature of the contemporary corporate social responsibility manifestations and initiatives could be a consequence of the inability and reluctance of governments to control business activities as a result of the current global world order and the decline in the role of nation states in most countries (see Monbiot, 2001, 2003; Held and McGrew, 2002; 2003). Aitken (2002) explains that 'at this stage, no one is talking regulatory coercion and probably no one will'.<sup>35</sup> Aitken continues to argue that the problem with this voluntary approach is that it tends to measure the worth of social objectives in terms of how they suit the interest of business. Lovell (2001), in the same vein, argues that cases where the corporation has taken actions that actually disadvantage shareholders because of other considerations, e.g. where human/animal rights issues or

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<sup>35</sup> For the moment, the EU, for example, appears to have accepted the argument that corporate social responsibility is voluntary, business-led practices. The European Commission has defined corporate social responsibility as a 'concept whereby companies integrate social and environmental concerns in their operations and in their interaction with stakeholders on a voluntary basis' (Murray, 2003, p.9).



considerations or environmental issues or considerations are preferenced, are very difficult to identify. Lovell explains that examples of corporations denying themselves profit-making opportunities purely on the basis of ethical considerations are few.<sup>36</sup> Owen *et al.* (2000) also observe that there appears to be a somewhat naïve reliance on companies voluntarily responding to perceived public unease and associated activities of disparate pressure groups. This reliance on companies' voluntary initiatives, they suggest, has resulted in the corporate social responsibility movement being organisation-centred and moving only marginally beyond the conventional relationship between business and society. This is a situation that is, according to O'Dwyer (1999), not radical enough to challenge this conventional perspective.

Corporate social responsibility, consequently, has largely been viewed as a voluntary exercise and promoted to business as a win-win scenario in order to encourage companies to demonstrate higher social responsibility. Corporate social responsibility has been promoted to business as a potential to strengthen and enhance an organisation's strategic management procedures. Corporate social responsibility, therefore, has been perceived from a managerialist perspective that has increasingly become the core value of contemporary social audit and corporate social responsibility and reporting (O'Dwyer, 1999, 2003; Owen *et al.*, 2000). Owen *et al.* (2000) point out how SustainAbility's (1999) '*Social Reporting Report*' seeks to promote the idea of social and environmental accounting to business by drawing attention to benefits that may accrue through implementing the process. Main benefits include the identification of weaknesses in management control of high-risk activities and enhanced stability that enables an organisation to mitigate against unexpected shocks. In a similar fashion, other initiatives promoting corporate social responsibility have also been consistent with the organisation-centred and managerialistic flavour of much of the debate. For example, ISEA's<sup>37</sup> (1999, p.8) draft standards simply recommended that:

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<sup>36</sup> To deny shareholders profit-making opportunities because of other social considerations would challenge UK and US law, where the duties and responsibilities of senior executives are expressly stated in terms of the shareholders' financial advantages. Thus, for executive officers to impose their own values upon the legal application of shareholders' finances could be argued to be illegal (and in this sense unethical). The demise of the UK government's commitment to replacing the singular duty of corporate executive to their shareholders, with one that reflected a stakeholder-within perspective, is a case in point of the continuing power of the shareholder perspective (Lovell, 2001).

<sup>37</sup> AA1000 (1999) is a standard developed by the Institute of Social and Ethical Accountability covering the processes of social accounting, auditing and reporting and focused on the quality of stakeholder dialogue and overall stakeholder participation. The standard does not deal directly with reporting and



'The organisation should institute governance procedures that clearly identify the roles and responsibilities of Board, shareholders and other stakeholders, in particular in relation to social and ethical issues.' (cited in Owen *et al.*, 2000).

Owen *et al.* (2000) caution that the danger here is that accountability and transparency, which should be the main objectives of corporate social responsibility, are becoming of reduced importance when compared to management advantage. Such notions, Owen *et al.* (2000) argue, give rise to the potential of managerial capture.<sup>38</sup> Such capture by managerial objectives, they contended, would result in a 'shallow process that is reactive and proceed to diminish the meaning of corporate social responsibility and accountability'; marginalise the very stakeholder groups that could best be served by the process and sustain the conventional view of the relationship between business and society. Portraying and promoting corporate social responsibility as a tool for better risk management and control have, therefore, significantly failed to challenge the general perspective that considers corporations to be an engine for economic production and exchange. This notion has also reduced the different models of corporate social responsibility to be conceived as attempts 'to fix' this idea by adding the concept of corporate social responsibility to the already dominant economic dimension (O'Dwyer, 1999, p.83). Critics also point out that the acceptance in the corporate social responsibility literature of the separation or distinction of the economic and the social, meant that the issue of social responsibility has effectively been displaced (O'Dwyer, 1999). Owen *et al.* (2000) also warn that if the current corporate social responsibility movement continues to be perceived as a managerialistic tool and captured by economic interests, the movement is facing the same fate as the corporate responsibility agenda of the 1970s. Consequently, the contemporary corporate social responsibility movement and initiatives as they have manifested, especially in the West, have largely failed, so far, to play an emancipatory role of increasing and promoting accountability and transparency. Rather, the movement has been, to a large extent, captured by business-centred and managerialistic objectives, making it a repressive force in society, used mainly to enhance and strengthen the current socio-political order.

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disclosure issues. It mainly deals with the social audit process that supports indicator selection (GRI, 2002).

<sup>38</sup> By managerial capture, Owen *et al.* (2000) refer to the 'concept that sees management take control of the whole process (including the degree of stakeholder inclusion) by strategically collecting and disseminating only the information it deems appropriate to advance the corporate image, rather than being more truly transparent and accountable to the society it serves'.



The following sections will illustrate how the nature of the contemporary corporate social responsibility movement impacted on current social accounting and reporting initiatives and practices, especially in the Western, Anglo-Saxon context. But first the next section will provide a delineation and understanding of social accounting as perceived in both the social accounting literature and for the purposes of this study.

### **3.3 Delineating and Understanding Social Accounting**

The contemporary corporate social responsibility movement has had a significant impact and consequences on accounting and accounting practices. The sort of questioning of the role of business and the impact of business on society that was triggered by the corporate social responsibility debate has resulted in calls for more openness and transparency that translated into calls for social accounting and reporting (Gallhofer and Haslam, 2003). Pressure facing governments, the accounting profession and business organisations to advance social accounting on the agenda has resulted in the development of dozens of social accounting and reporting initiatives world-wide that are currently competing for acceptance by the wider business community. Collective initiatives such as CERES, GRI (see later) and ISEA's AA1000 standards development projects seek to pragmatically articulate the organisational dimensions of 'sustainability'. Furthermore, they attempt to harmonise independent prescriptions so as to advance the professionalisation and uniformity of the social accounting and audit movement (Owen *et al.*, 2000). These initiatives have had direct effects on accounting and disclosure as they require new ways of doing business, new products, processes and new types of information (Gilkinson, 2000). The big accounting firms, along with other multinationals, demonstrated strong support for these initiatives, especially the GRI. Accounting firms are now also offering a new range of consulting services that focus on managing corporate reputation and image, as well as issues of (un)sustainability and stakeholder involvement and dialogue (Owen *et al.*, 2000; Gray, 2000; Gilkinson, 2000). The number of voluntary corporate social responsibility stand-alone reports has also increased. Such reporting not so long ago was regarded by many as only a relatively marginal (and perhaps even radical) activity, carried out by pioneering NGOs, fair-trade companies and other idiosyncratic organisations (Dey, 2001). In stark contrast, explains Dey (2001), social and environmental disclosures are now at the forefront of active boardroom-level experimentation across a wide range of large companies, including banking, oil and telecommunications' sectors.



Despite what one may reasonably identify as major advances in social accounting<sup>39</sup> manifestations in the last decade, social accounting is still conceived by many in the social accounting literature to be in its infancy and experimental. Social accounting, so far, is not able to claim a universal recognition or definition as a systematic, well-established activity (Gray *et al.*, 1996, 1997). This controversy concerning the nature of social accounting, its content, focus, and main characteristics, Gray (2000) argues, is what makes it difficult to give social accounting a specific and agreed definition. As a result, unlike conventional/financial accounting, social accounting can not be defined by reference to current law, standards and practices and/or by reference to what accounts do, as there are very few such standards and practices and little in the way of defining law regarding social accounting (Gray, 2000). On most occasions, therefore, the notion of social accounting in the mainstream literature is conceived from the differentiation between conventional and social accounting. A differentiation that restricted conventional accounting to a narrowly financial economic focus (Gallhofer and Haslam, 2003). Laughlin *et al.* (1988, cited in Gray, 2000, p. 7), for instance, identified four characteristics that bind conventional accounting. These four characteristics are: a focus on discrete entities in society- the notion of accounting entity; a restriction to economic events that affect the entity; a limitation to those economic events that can be measured in financial terms; an assumption that the resultant information should be useful for (typically, financial community) users.

Social accounting has, by contrast, been regarded as covering a wide range of issues, to address a larger portion of stakeholders, to take different forms and types and to be communicated through all possible mediums (Gray, 1999).<sup>40</sup> Social accounting according to Gray (2000, p. 8), certainly embraces: all accounts about non-economic events (thus including environmental events); any non-financial language accounts; and accounts for non-financial community 'users'. Social accounting as a term, therefore, is used as a convenient and generic term to cover all forms of 'accounts that go beyond the

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<sup>39</sup> Other terms such as "Social audit", "social responsibility accounting" and "corporate social reporting" have also been used from time to time. Even though differences in the meaning of these terms do exist, they have been used sometimes to describe mainly the same thing (Gray *et al.*, 1997).

<sup>40</sup> Gray *et al.* (1996) note that social accounting goes beyond the constraints of conventional (financial) accounting, and explain that social accounting is about a combination of:

- a. Accounting for different things (i.e. other than accounting strictly for economic events).
- b. Accounting in different forms (i.e. other than accounting strictly in financial terms).
- c. Accounting to different individuals or groups (i.e. not necessarily only accounting to the providers of finance).
- d. Accounting for different purposes (i.e. not necessarily only to enable the making of decisions whose success would be judged in financial or even only cash flow terms).



economic' and for all the different labels under which it appears- social responsibility accounting, social audit, corporate social reporting, employee and employment reporting, stakeholder dialogue reporting as well as environmental accounting and reporting (Gray, 1999). Gallhofer and Haslam (2003, p.113), in this regard, comment on how social accounting has been delineated in the mainstream literature:

'Social accounting ... is demarcated as an accounting going beyond the financial economic, notably in the assessing of business performance. It is differentiated from an accounting constrained to reflect what are conventionally assumed to be the interests of the shareholders. Social accounting here reflects a presumption, at least on the face of it, that the goal of the business organisation properly goes beyond the narrow and conventional focus upon profit or financial wealth maximisation in current or envisaged contexts. Social accounting goes beyond an accounting for the use of shareholders only, with other users, including the public at large, and hence multifarious usage, being envisaged. And, as indicated, it is an accounting that to some extent satisfies one or more of these criteria.'

Social accounting, as a result, has come to be understood in relation to a range of criteria. Gallhofer and Haslam (2003) explain that what is taken or not taken to be social accounting depends on which of the criteria are satisfied. That is, it has come to be a matter of emphasis in these terms. Therefore, accountings have been understood as 'social' where they have satisfied all or some of these criteria and by reference to the extent they have satisfied these criteria. Delineating and understanding social accounting has been approached from a number of different characteristics and criteria - mainly in terms of focus/content, users, form and role or purpose of such accounting.

Gallhofer and Haslam (2003, p.112) elucidated that delineating social accounting by this simple dichotomous differentiation between conventional and social accounting is problematic. Conventional accounting here, they explain, is reduced to financial economic accounting that constrains the image of conventional accounting to the narrowly financial economic substance of mainstream financial accounting practices, ignoring in the meantime the notion that some types of financial economic accounting can also be considered as a form of social accounting. Gallhofer and Haslam (2003, p.114) alternatively suggest that a more 'radical' view of delineating and viewing social accounting could be considered in reference to accounting's contribution to a 'radical critique' of the socio-political order, including its business organisations and their activities, and the striving of this accounting for radical democratic and socialist



development (see also Tinker, 1980, 1984a, b, 1985; Tinker *et al.*, 1982, 1991). This mobilisation of social accounting for the betterment and the servicing of society align social accounting with the idea of emancipation (see Tinker 1984a, b, 1985; Gray, 1992, 1999; Owen *et al.*, 1997; Bebbington *et al.*, 1999; Bebbington, 2001; Gallhofer and Haslam, 2003). In this manner, an emancipatory and radical social accounting manifestations, according to the above understanding, will be located on a continuum ranging from 'emancipatory/radical' to 'repressive/counter radical' rather than fall into absolutely distinct categories (Gallhofer and Haslam, 2003). Social accounting, therefore, is an accounting that participates into questioning the distorted valuation under conventional accounting including not being able to measure or value things that are not priced in the market, irrespective of their substantive value for society. At the same time, an emancipatory radical social accounting is characterised also by a strong concern to go beyond the narrow conventional accounting in being accounting for various entities or focuses, accountings assuming various forms and accountings having various contents, users and usages in radical and innovative ways so as to open up new ways of seeing (Gallhofer and Haslam, 2003).

This study agrees with the above radical and critical delineation of social accounting. This radical delineation and understanding of social accounting aids the study in providing a critique and appreciation of the emancipatory potentials and actualities of social accounting and reporting manifestations in the context of Arab societies. The radical critique also helps the study in envisioning a way-forward for the bettering and moving social accounting manifestations in the Arab Middle East towards an 'emancipatory/radical' form of accounting that contributes to the betterment of Arab societies. The critical appreciation in this study emphasises the company and business dimension of social accounting manifestations in these countries. This is not done without the realisation that such concentration on the business dimension of social accounting may restrict the emancipatory possibilities of researching and studying social accounting or the interrelation between different dimensions of social accounting (Gallhofer and Haslam, 2003). It is done, however, as a realisation of the increased influence and role of business organisations, especially in the current global order (see section 2.2), and especially in the Arab world where there is an increased and steady movement towards a more open and liberalised market economy (see chapter five and seven). This gives more power to private and foreign capital and business organisations, which is a situation that requires more research and critical evaluation of the



transparency and accountability of these business organisations (see Monbiot, 2001, 2003). The study also attempts to research social accounting manifestations in the Arab Middle East by emphasising a number of social accounting characteristics in respect of its various contents, users, forms and purposes, which would contribute to the enhancement of the possibility of a radical form of social accounting. These are illustrated in the following sections.

### ***3.3.1 Various Contents and Focuses of Social Accounting***

The social accounting literature in general is vague concerning what social reporting or accounting should focus on. The focus of social accounting emphasised in the literature has varied from assuming that social accounting is accounting for and reporting on employees' welfare and customer satisfaction to assuming that social accounting is about sustainability development<sup>41</sup> with its three components: social, environmental and economic. For Zadek (1993, p. 5), social accounting is understood in terms of "...defining, observing, and reporting measures of an organisation's ethical behaviour and social impact". Neu *et al.* (1998, p. 266) perceive social disclosure as '*the information that organisations provide outlining their interactions with the natural and social environment*'. While Gray *et al.*, (1987, cited in Rahman, 1988, p. 327) view social accounting and reporting to '*...include information on the company's effect on the local community and the environment, customer satisfaction and employee welfare*'. And Gray (2000, p.7) explains that it is '*...the preparation and publication of an account about an organisation's social, environmental, employee, community, customer and other stakeholder interactions and activities and where, possible, the consequences of those interactions and activities*'. Gray *et al.* (1996) summarise the typical assumptions about the content of social reports to include activities that affect: the natural environment; employees and wider 'ethical' issues that typically concentrate upon: consumers and products; local and international communities.

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<sup>41</sup> The concept of sustainability has been an exceptionally difficult one to define precisely (Gray *et al.*, 1994). While the concept of sustainability has been around in the international development literature for at least 20 years, it has not crystallised into one form. Rather, the concept has evolved along with society's understanding of human interaction with the physical environment (Bebbington and Thomson, 1996). However, the general definition of sustainability development that is most widely accepted is that provided by the *Brundtland Report* and refers to sustainability development that 'Meets the needs of the present generation without compromising the ability of future generations to meet their own needs'(Bebbington *et al.*, 1997, p. 374). The concept of sustainability development is used to motivate various political, legal and economic initiatives that seek to resolve the social, environmental and economic problematic that as occupants of our planet we currently face. The stakes are thus, potentially, very high (Bebbington, 2001).



While the above understanding of focus and content of social accounting is the most dominant in the mainstream social accounting literature, some critical writings in the social accounting literature cautions from the apparent dropping of the category 'economic' from the scope of social accounting in these delineations. Gallhofer and Haslam (2003) explain that mainstream social accounting has conveyed the impression that financial economic matters are irrelevant or adequately dealt with through conventional accounting. They argue that the category 'economic' is essential to the focus of social accounting. Concerns, for instance, about productive efficiency, the ethics of the very practice of profit making, the extent of monopolistic or oligopolistic power exercised, the distribution of wealth and the reproducing of material poverty should be at the heart of social accounting and reporting content and scope. They argue that 'not to challenge conventional accounting in this context renders social accounting more susceptible to its influence and this enhances the grip of problematic hegemonic forces upon it' (Gallhofer and Haslam, 2003, p.148). In the same vein, Bebbington (nd, p. 9), argue that if by social accounting we are aiming towards sustainability development, then key concepts such as integration and interconnectedness should be applied to social accounting. Integration means bringing together information relevant to all company's stakeholders, be they financial (e.g. investors, lenders), those affected by its environmental impact, or those whose well-being is affected by the company (e.g. employees, local communities). The second key concept is interconnectedness: 'showing how a company's activities relate to the environment, sustainable economic development, and quality of life' (Bebbington, nd, p9).

From the above, social accounting, in order to be radical in its challenge to the *status quo*, should include the various aspects of organisation activities that influence society's well-being, whether these activities are social, environmental or economic. Reporting on these activities should include negative as well as positive news if it is to provide a radical critique to the socio-political order. It should also be adequately verified by independent third parties in order to provide appropriate assurance to report users. This would enhance the accountability, transparency and credibility of social disclosures (Owen and O'Dwyer, 2004, see also Gallhofer and Haslam, 1993; Zadek *et al.*, 1997; Gray *et al.*, 1995a; Gray, 2000; Ball *et al.*, 2000;).



### 3.3.2 Various users of Social accounting

The other characteristic of social accounting is the broader user group(s) it emphasises. Gray *et al.* (1987, cited in Rahman, 1988, p. 327) explain that the main aim of social accounting is to broaden the group of users that financial accounting conventionally limits itself to '*social reporting involves extending the accountability of organisations (particularly companies) beyond the traditional role of providing a financial account to the owners of capital. Such an extension is predicated upon the assumption that companies do have wider responsibilities than simply to make money for their shareholders*' i.e. that this responsibility ought to result in an accounting to the public. Gray *et al.* (1996) suggest that social accounting tends to assume that in addition to reporting to shareholders and other owners and finance providers, organisations should report to their stakeholders, the other internal and external participants in the organisation. These are normally assumed to be, members of local communities; employees and trade unions; consumers; society at large and governments.

Besides extending reporting to include information relevant to a wider spectrum of stakeholders, social accounting and reporting literature and debates have promoted engagement and dialogue with the stakeholder to be an essential part of contemporary social accounting and reporting. Owen *et al.*, (2000) suggest that dialogue and engagement with stakeholders has been at the heart of the contemporary corporate social responsibility movement and, therefore, social accounting. In contrast to the type of exposé Social Audit Limited conducted in the 1970s, contemporary social audit appears to be more inclusive of stakeholders, thereby implicitly subscribing to the tenets of a 'polyvocal citizenship perspective' on organisational performance (Owen *et al.*, 2000). Owen *et al.* (1997), in the same vein, suggest that discursive dialogue is required. A discursive dialogue with stakeholder groups does not only mean consulting stakeholders. It includes developing stakeholder dialogue procedure, which seeks to provide each stakeholder with a 'voice' in the organisation. In this sense, 'stakeholders are encouraged to voice the terms of the accountability relationship, both as they see it currently and how they would wish it to be', as well as taking an 'active part in defining the accounting entity itself'. The voices of the stakeholders (concerning, for example, employee and customer satisfaction levels, environmentalists' anxieties about the organisation etc.) provide an important element of the basis for the social account of the organisation (Owen *et al.*, 1997, p. 193). Stakeholder engagement and dialogue have



also been considered to be essential to the move towards sustainability. Hibbitt (1999) argues that any move towards sustainability requires an on-going, two-way communication process, with stakeholders. Hibbitt (1999) explains:

‘The pursuit of sustainability cannot be achieved without direct stakeholder involvement. From a social accountability perspective, stakeholder groups should not just be consulted by business, they must be part of an on-going two-way process’.

A radical form of social accounting, consequently, should be about communication, engagement and dialogue with a wide spectrum of stakeholders in society. This stakeholder involvement within the organisation should be enhanced by involving stakeholders in corporate governance, and reporting on action taken by the organisation in respect of stakeholders’ suggestions and visions (see for example Gray *et al.*, 1997; Zadik *et al.*, 1997; Swift and Pitchard, 1999; Owen *et al.*, 2000; Owen *et al.*, 2001; Owen and O’Dwyer, 2004).

### ***3.3.3 Various Forms of Social Accounting***

On the form of social accounting, Boyce (1998, p. 709) explains that *‘[i]t is conceivable that both social and environmental accounting could involve the measurement or calculation of costs and benefits (social and environmental), however, they could also include accounting for social and environmental impacts not quantifiable in money terms and/or not meaningfully quantifiable at all’* (Boyce, 1998). According to Boyce (1998) recent research has noted that there is a need for the environment or ethics to be valued as part of the economic process in order to move societies towards sustainability. This reflects to some extent the calls for accountants to become involved in assigning dollar values to aspects of the natural environment and ethical issues. The latter type of accounting is arguably important for comparison purposes and to facilitate decision-making by producing numbers that incorporate social and environmental factors (Boyce, 1998). Bebbington (1997), in this regard, warns that the lack of financial data, and the failure to integrate the environmental report with the main accounts are shortcomings of the current state of environmental and social reporting. This integration, Bebbington (nd) anticipated, would be needed to reflect the likely future pressures emanating from the European Community.



Boyce (1998), however, cautions that no matter how precise it may seem, exclusive representation in financial terms cannot give a complete account. An additional concern, according to Boyce (1998), is that environmental accounting calculus, if viewed as a technical process, may be constructed in such a way as to support vested interests. One can make the same point about social accounting calculations in general. Furthermore, an expanded accounting calculus that incorporates society and the environment cannot possibly cope with the richness and complexity of the issues and values involved (Boyce, 1998). Consequently, Boyce (1998) points out that accounting need not just be about counting and calculating and assigning quantified indicators (whether dollar dominated or not). In social and environmental arenas, accounting might also be usefully concerned with developing and applying appropriate metaphors, narratives, and with facilitating transparent democratic discourse and debate.

From the above, a radical form of Social accounting and reporting would combine various forms of disclosure, be they, financial, non-financial, qualitative or quantitative for providing higher transparency and accountability in communicating social information to the broad range of stakeholders.

### ***3.3.4 Various Purposes of Social Accounting***

Gallhofer and Haslam (2003) elucidate that a more complex way of seeing social accounting is by placing greater emphasis on the role and purpose of accounting. In this regard, Gray (2000), taking the report preparer perspective, explains that there are two broad categories of purpose behind social disclosure done by reporting entities. They can be typified as either for management control or for accountability purposes. Social accounting undertaken for management control purposes is designed to support and facilitate the achievement of the organisation's own objectives. Such accounting would include assessing risk; managing stakeholders; image management; public relations; seeking out opportunities and efficiencies; maintaining legitimacy and avoiding surprises (Gray, 2000). The use of social accounting and reporting for management control purposes has also been emphasised by Milne *et al.*, (1999), Williams (1999) and Lewis *et al.*, (1999) including in their suggestion that corporations undertake social accounting and reporting for image building purposes. Lewis *et al.*, (1999) goes further to suggest that corporations, by undertaking corporate social reporting, aim at attempting to construct in key stakeholders minds a false reality that the organisation



has operated in an ethical way. Others perceive it as corporations' reaction to stakeholders' pressure and demand for this type of information (Williams, 1999).

By contrast, social accounting undertaken for accountability, democratic and sustainability purposes, explains Gray (2000), is designed to support and facilitate society in the pursuit of its objectives. Reporting under social accounting in this case will cover stakeholders' rights to information; balancing power with responsibility; empowering stakeholders; owning up to eco-justice; transparency; openness; demonstrating that one is 'walking the talk'; describing the limits of organisational ability; demonstrating the social and environmental cost of economic success (Gray, 2000, p.16). Gray (2000) notes that there is often an overlap between these two groups of purposes (management control and accountability purposes). The two purposes do, however, suggest one fundamental difference. The management control perspective in its typical managerialist form puts the organisation first and, typically, assumes that it is a basically friendly and harmless creation; the accountability focus ostensibly puts society first and makes no such assumption about the organisation. These are, explains Gray (2000), critical differences. While accountability should be the central argument for social accounting, Gray (2000) notes that emphatically this does not suggest that management should fail to continue to undertake social and environmental audits in the interest of good management. It is simply that such things must be seen as control-orientated and have little or nothing to do with accountability.<sup>42</sup>

The accountability argument suggests that social accounting role should be about discharging the social contract between an organisation and relevant public, as well as extending the accountability of organisations beyond the traditional role of providing a financial account to the owners of finance (Gray *et al*, 1987 1996, 1997). The end purpose of social accounting, in this sense, should be the welfare of the whole society. It implies the view that a business accounting that simply reflect the financial dimension of profit-making and risk management would be at least inadequate in the current context by the criterion of maximising welfare for the whole society. Bebbington (1997, p. 365), in this regard elucidates that social and environmental accounting should be about: '*... exploring and developing new forms of accounting which are more socially and environmentally benign and which have the potential to create a fairer more just*

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<sup>42</sup> Of course, one might argue that accountability is integral to a much more meaningful and positive form of 'control'.



*society*'. For accounting to play a role in creating a fairer and more just society it needs to be enabling and emancipatory. In other words, it is accounting that poses a challenge to existing practices and goes beyond their conventions. Bebbington (1997, p. 365) notes that: '*...there is a case to be made that SEA [Social and Environmental Accounting] is an enabling, empowering and emancipatory form of accounting in that it provides both a critique of existing practice and develops alternative accounting practice.* Gallhofer and Haslam (2003, p106) also discussed social accounting in relation to its emancipatory potential. They explain:

'social accounting has been mobilised as an accounting challenging conventional accounting and, on the face of it, as an accounting reflecting a concern to go beyond a narrow instrumentalism...thus, the mobilisation of social accounting is suggestive of accounting being aligned with the idea of emancipation'.

Gray *et al.* (1997) have also discussed the emancipatory role of social accounting from the lens of its dialectic and communicative potential, allowing a two-way dialogue between a board and stakeholders and in return being able to redress power asymmetries between organisations and their stakeholders:

"Social accounting is conceived of as being hermeneutic and emancipatory. It is hermeneutic in the sense of a "hermeneutic dialectical process" which seeks out a means that might lead us towards reflexive mutual understanding between the organisation and its stakeholders. These understandings will relate both to organisational activity and the accountabilities attaching to these activities. In this sense the social accounting practice must be continuous and evolving...It is emancipatory in that its aim is to redress power asymmetries between organisations and their stakeholders through the reporting information" (Gray *et al.*, 1997, p. 328).

A radical form of social accounting's role and purpose, therefore, should be an emancipatory and enabling one that ought to challenge conventional accounting's practices, provide a radical critique of these practices and the current socio-political order and, consequently, move societies towards a fairer, better and more just conditions.

### **3.4 Questioning Contemporary Social Accounting and Reporting Manifestations**

In order to evaluate the emancipatory role of social accounting in meeting its alleged purposes of discharging accountability and moving societies towards sustainability and better life quality, one has to investigate the effect of the nature of the contemporary



corporate social responsibility movement on social accounting and reporting initiatives and manifestations. After all, social accounting and corporate social reporting is often perceived to be a manifestation of corporate social responsibility (Gray *et al.*, 1996, cited in O'Dwyer, 1999, p. 104). In brief, section 2.2 concluded that the contemporary corporate social responsibility movement, while achieving certain advances in promoting the social and environmental agenda to the heart of business, is mainly a 'voluntary' movement led by business organisations. Such a situation, critics of the movement argue, is allowing the movement to be captured by the current capitalistic hegemony, turning corporate social responsibility into a management control tool for enhanced shareholder value (see Power, 1991, Bebbington, 1997; Owen *et al.*, 1997, 2000; Gallhofer and Haslam, 2003). On a similar note, social accounting and reporting has been mainly a 'voluntary' exercise - where there is little legislative or quasi-legislative prescription immediately touching the matter - mobilised by business organisations. In the UK for instance, there are no mandatory requirements for a company to produce any kind of environmental or social report (Bagshaw, 2000).<sup>43</sup> Furthermore, most social reports have not been attested substantially and independently from business management and owners, failing to give appropriate assurance to report users (see Gray *et al.*, 1995a; Ball *et al.*, 2000; Gray, 2000; Owen and O'Dwyer, 2004).

This voluntary, business-led approach, Solomon *et al* (2000) suggests, has been responsible for the inadequate nature of social accounting and reporting. By privileging business organisations as social agents, the latter have been able to hijack social accounting over recent decades for their own public relations' purposes and to mobilise it to counter more progressive social accounting possibilities (Gallhofer and Haslam, 1997, 2003; Gray and Bebbington, 2001). Social accounting and reporting practices, in this context, have concentrated in most cases on the telling of good news rather than bad news and the countering of bad news. Corporations in this regard have seen social

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<sup>43</sup> In the UK, the 1997 manifesto of the Labour Party had a commitment to reviewing company law, with the view of introducing a stakeholder perspective. Respecting its manifesto commitment, and upon election, the new Labour government established a committee to consider how the stakeholder commitment could be operationalised. Newspaper reports on the outcome of the committee's work talked of frantic lobbying by business interests that ultimately led to not only the retention of the shareholders' interests as the only ones formally recognised at law, but also the conversion of the committee's proposals for compulsory statements on a variety of corporate issues into proposals that would be only voluntary, i.e. at the discretion of directors (Lovell, 2001). In Europe, by 1995, Domingo Jimenez-Beltran, the executive director of the European Environmental Agency, was criticising member states for failing to implement around 40 of the 64 directives that included environmental reporting requirements. The failure to implement reporting requirements arose because member states were either not respecting their responsibilities for reporting environmental data, or were failing to report them adequately (Baskerville, 2001).



accounting as a means for establishing and reinforcing their claim to social legitimacy (Gray *et al.*, 1995b; Gallhofer and Haslam, 1997, 2003). Hibbitt (1999), in the same vein, takes sustainability reporting as an example. He explains that a look at a number of UK leading companies' annual reports and social accounts illustrates how business is attempting to construct, and thus capture, the concept of sustainability and sustainable development within a 'business as usual' paradigm. Bristol-Myers Squibb's 'Report on Environmental Health and Safety Progress 1999' (the first company to publicly adopt the draft GRI Guidelines) states:

'Our sustainable development targets will support our business goals, to ensure that sustainability is fully integrated into the way we do business' (cited in Hibbitt, 1999, p.7).

The Chief Executive of the Eastern Group (which has since changed its name to TXU Europe Group) states in the company's 'Sustainability Reports 1998':

'We have expanded our previous environmental performance report to include social and environmental aspects... sustainability development is about achieving economic growth... whilst protecting, and wherever possible, enhancing the environment. This approach does not exclude business development and profit...' (cited in Hibbitt, 1999, p.7).

Therefore, 'warm glow' social reports, such as those discussed above, developed under the contemporary corporate social accounting agenda promotes social and sustainability reporting to business organisations as a routine, simple and straight-forward process (Gray *et al.*, 1996 and Gray, 2000). In addition, social accounting and reporting, including sustainability reporting, has been largely perceived and used as a 'public relations opportunity', in an age where increased emphasis has been placed on corporate image (Gallhofer and Haslam, 2003, p.126, see also Bebbington, 1994; Bebbington and Thomson, 1996; Hibbit, 1999). Even in the case where stakeholders' engagement has taken place, the overt focus on the 'business case' in these instances may indicate that stakeholder engagement is merely a guise for controlling and capitalising on stakeholder sentiment for commercial gain (Owen *et al.*, 1997, 2000; O'Dwyer, 2002). Stakeholders engagement, critics assert, usually takes the form of questionnaire surveys that are monitored and researched by the business organisation itself (Owen *et al.*, 2000). Stakeholder engagement rarely includes information about stakeholders' feedback subsequent to report publication throughout the social accounting and reporting process

(Owen *et al.*, 2000). In this regard, Owen *et al.* (2000) draw attention to the ISEA's influential social accounting and reporting initiative regarding stakeholder engagement. They note that ISEA's (1999) draft standard states that performance indicators should:

'reflect, where possible, thorough consultation with key stakeholders, the interests and concerns of the stakeholders and best practice elsewhere' (p.45, Owen *et al.*, 2000).

ISEA, however, remains silent on the issue of feedback subsequent to the publication of the corporate social report (Owen *et al.*, 2000). Such stakeholder engagement promoted by current social accounting initiatives raises doubts over the effectiveness of contemporary social accounting manifestations in promoting corporate accountability and transparency (Owen *et al.*, 2000; O'Dwyer, 2002).

Therefore, unless contemporarily manifestations of social accounting begin to address social and environmental issues in a transparent and accountable manner, it will continue to be mobilised by business for reinforcing its problematic hegemonic interests. Social accounting, in this respect, should begin to incorporate more radical and critical practices including the telling of bad news as well as good news; addressing complex issues in society; empowering stakeholders; independently verifying social reports and abandoning the voluntary, business-led approach to regulating social accounting practices.

#### ***3.4.1 Social Accounting and Reporting Initiatives (the case of The Global Reporting Initiative (GRI))***

An important feature of the contemporary corporate social responsibility movement is the introduction of dozens of social accounting and reporting initiatives. A number of these initiatives are claiming to be international ones, applicable on the global level, and designed to give guidance, particularly to multinational corporations, on how to approach and practice social accounting and reporting.

As touched upon earlier, the global economy of today has empowered multinational business vis-à-vis nation state governments. This has, in turn, resulted in shifting pressure groups' attention to the global level to enhance their challenge to business (Monbiot, 2001). Business response to these pressures has taken different forms. As noted earlier, businesses, especially multinationals, in their response to the corporate



social responsibility movement undertook various types of voluntary social reporting through different means including stand-alone reports which, as Gallhofer and Haslam (2003, p.127) explain, have aimed at 'mollifying social criticism and legitimising business activities'. Business, furthermore, recognising the potential of global regulations, has sought to stay ahead of the game by getting involved in global initiatives for social accounting and reporting in order to mobilise social accounting at the international level (Gallhofer and Haslam, 2003, see Monbiot, 2001; 2003). The presence of business in initiatives implicating social accounting today is so pervasive, that it could be described as the 'corporatisation of social accounting' Gallhofer and Haslam (2003, p.127) cite Monbiot (2001),

The Global Reporting Initiative (GRI) for sustainability reporting is one of the most influential recent global social accounting and reporting initiatives.<sup>44</sup> The GRI is sponsored by CERES<sup>45</sup>/UNEP<sup>46</sup> and first published its exposure draft in 1999. The initiative has received strong support from multinationals and big accounting firms (Gilkinson, 2000). The Global Reporting Initiative (GRI) is a long-term multi-stakeholder and international process, the mission of which is to develop and disseminate globally applicable *Sustainability Reporting Guidelines* for voluntary use by organisations reporting on the economic, environmental and social dimensions of their activities, products and services. The aim of the *Guidelines* is to assist reporting organisations and their stakeholders to better describe and articulate the overall contributions of the reporting organisations towards sustainable development (GRI, 2002, p.5). The GRI, according to OECD (2001), represents a major step towards a generally accepted global framework for sustainability reporting. The *Guidelines* promote reporting on employee welfare and also require statements in respect of profile, vision, strategy, policies and organisation and management systems (Gallhofer and Haslam, 2003).

On the face of it, Gallhofer and Haslam (2003) argue, the universality of the *Guidelines* and the idea of a global social accounting that they promote, has a very positive

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<sup>44</sup> Another popular initiative on the international level is a cross-national initiative of Council of Economic Priorities of the USA (with collaboration from both the UK and Europe). The initiative has developed the SA8000 standard for social accountability. The blueprint for this initiative is that of the International Organisation for Auditors and Audit Practice, which many businesses around the world are familiar with through ISO9000 (Quality Management Systems) and ISO14000 (Environmental Management Systems) (Swift, 1999).

<sup>45</sup> Coalition of Environmentally Responsible Economies (a US organisation).

<sup>46</sup> United Nations Environmental Programme.



dimension. Radical movements are increasingly recognising a need for democratic and socialistic world governance (see Monbiot, 2003; Held and McGrew, 2002, 2003). A global social accounting, Gallhofer and Haslam (2003) point out, goes hand in hand with such a vision. It can potentially play its part in radical and emancipatory projects on a global scale. The possibility of global social accounting is also enhanced today given the technological advancements facilitating co-operation and communication on a global level (Gallhofer and Haslam, 1997). A close examination, however, of the role that the GRI has played up until now, raises doubts as to its potential to function as a progressive and emancipatory force. Gallhofer and Haslam (2003) suggest that the strong influence of business on GRI's representations and funding plays down the radicality of the GRI. Considering the membership of the GRI, while it includes representatives from a number of pressure groups; non-governmental organisations; Association of Certified Chartered Accountants and academics, it has high representations from the business community and MNCs like accountancy firms such as KPMG and PricewaterhouseCoopers and multinational corporations like General Motors, Ford, Nike and Shell. The GRI has also been able to attract significant financial backing not only from the UN and the US Environmental Protection Agency but also from several business-funded bodies (Gallhofer and Haslam, 2003). Such high business representation and involvement in the GRI membership, Gallhofer and Haslam (2003, p. 129) suggest, leads one to question the radical and emancipatory potential of the initiative as well as the role of international organisations such as the UN:

'Proposals reflect at best mildly progressive initiatives of business organisations in the social accounting arena and facilitate more public relations whitewash. The substantive involvement of big business in social accounting interventions, in the context indeed of UN initiatives to address problems that business has helped to engender and build up, does much to displace and contradict their emancipatory potential and adds to claims about the captured status of the UN'.

Another concern regarding the GRI's progressive and emancipatory potential is the approach that the GRI is adopting when promoting sustainability reporting through the lens of traditional financial accounting. The *Guidelines*, Hibbitt (1999) explains, draw heavily on the traditional financial accounting model.<sup>47</sup> The GRI approach, accordingly,

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<sup>47</sup> The Guidelines adopt a set of general reporting principles that are developed from those contained in the discussion paper of the FEE Environmental Task Force 'Towards a Generally Accepted Framework for Environmental Reporting' (FEE, 1999). These principles cover three aspects of the GRI Guidelines: the reporting model or framework underlying the reporting process; the qualitative characteristics of reported information; and the underlying assumptions in respect of reporting information. Although the



is effectively denying the validity and existence of other forms of accountings, and, consequently, result in the perception that the purpose of accountability and transparency are captured and diluted through the linking of sustainability reporting to traditional financial accounting models. The *Guidelines*, in this sense, not only fail to provide a background to the rich and complex nature of sustainability, but also lack any exploration of some of the fundamental issues it raises (Hibbitt, 1999)<sup>48</sup>. The problem with building social and sustainability reporting frameworks according to traditional accounting concepts and principles lies in the notion that these concepts and principles are not necessarily appropriate when trying to construct an account of sustainability (or non-sustainability) or social responsibility more generally (Hibbitt, 1999). After all, it is this very same traditional/conventional accounting that social and sustainability accounting is due to challenge and go beyond.

A further fundamental consideration regarding social accounting and reporting initiatives and frameworks, is standardisation of practices. Initiatives like the GRI attempt to seek out possible convergence in social, ethical, environmental and financial accounting, auditing and reporting standards (Owen *et al.*, 2000).<sup>49</sup> Whilst, on the face of it, this may appear to be a laudable aim, Owen *et al.* (2000) suggest a note of caution, as the history of social and environmental accounting over the past thirty years demonstrates clearly that attempts to incorporate social and environmental dimensions within financial mechanisms tends to lead to the inevitable displacement and capture of social and environmental accounting dimensions, whilst doing little to promote non-financial stakeholder empowerment.

Another relevant point regarding global social accounting initiatives and the standardisation of social accounting (or even accounting standards in general) is their imperialistic tendencies in reflecting a problematic rather than legitimate world governance (see Annisette, 2000; Davie, 2000; Neu, 2000, 2001; Gallhofer and Haslam, 1991, 2003). These initiatives, similar to the traditional financial accountings they echo, have promoted a social accounting exhibiting a strong universalistic stance that

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general principles in the *Guidelines* have been modified to serve sustainability reporting practices, they are in many respects similar to those contained in the FEE Discussion paper (Hibbitt, 1999).

<sup>48</sup> Owen *et al.* (2000), in the same vein, also argue that some of the other most influential social reporting initiatives, such as ISEA's AA1000 and SA8000, are drawing heavily on existing financial standards as their source of standardisation.

<sup>49</sup> Standardisation is thought by some to be a means of arriving at a uniform terminology, this has not been applied systematically to date and this has, in consequence, led to confusion over the roles of audit as against review (Owen *et al.*, 2000).



displaces differences in terms of cultural values and privileges Western ways of doing instead. In addition, these initiatives by privileging particular Western values, deprive the international community from learning from particular 'other' cultures. These global initiatives, in other words, are part of and feed the type of universalism and globalisation where Western universalism threatens to swamp local valued particularism (Calhoun, 1996; Monbiot, 2001; Gallhofer and Haslam, 2003).

### **3.5 Discussion and Conclusion**

Chapter three has been concerned with delineating and critically reviewing debates surrounding contemporary social accounting. The chapter has provided an understanding and delineation of social accounting and highlighted the main emphases regarding researching social accounting for the purpose of this study. Social accounting, it has been argued in this chapter, should have a radical, emancipatory and enabling role in society that would result in discharging accountability, increasing transparency and aiding societies in moving towards sustainability and social equality and betterment. Social accounting should be emancipatory and radical in the sense that it provides a radical critique of the socio-political order, including its business organisations and activities. Social accounting manifestations, according to the above understanding and delineation, are, therefore, perceived in reference to their radical and emancipatory potentials rather than falling into or outside of what is categorised or not categorised as social accounting.

Discussions in this chapter have concentrated on the Western, particularly the English speaking world's context and manifestations. It suggested that current social accounting and reporting is largely a manifestation of the contemporary corporate social responsibility movement. This is a movement that while achieving certain advances in promoting the social and environmental agenda to the heart of business, is still mainly dependent on business voluntary initiatives that have been able to capture and mobilise it into a tool for managerial control and enhanced shareholder value. Social accounting, similarly, while being mobilised by pressure groups in order to destabilise repressive structures and engender emancipatory change, has in general terms been captured by business to serve its managerial and economic objectives and help in sustaining the basic features of a capitalistic society. Social accounting and reporting manifestations, while they have increased in the last decade, are mainly used as whitewash, are only



mildly progressive and fail to challenge the *status quo* or repressive practices of conventional accounting and move beyond it.

The chapter examined a current reporting initiative (GRI) as one of today's most influential initiatives. It has been argued that the GRI, while representing the first stage in the development of a framework for sustainability, is overtaken by business interests, and fails to challenge conventional accounting's limitations. The GRI, therefore, as is the case with much of current accounting/social accounting and reporting initiatives, could be considered to be a mildly progressive form of accounting that fails to play an emancipatory and radical role in society but rather is geared to the protection and enhancement of the existing repressive capitalistic social order. Furthermore, problematic Western social responsibility and reporting initiatives, such as the GRI, are claiming a global character. These initiatives derive their characteristics from Western, secular and capitalistic views and derive their universality from the perceived superiority of Western 'civilisation'. Such partial views pose doubts and questions to these initiatives valid universality and their insensitive imperial character.

In summary, contemporary social accounting and reporting manifestations and initiatives, by relying on the voluntary approach of business, has been too easily captured by dominant economic interests of business organisations. It has been, mainly, concerned with maximising shareholder value and enhancing related management control mechanisms. This has resulted in displacing the emancipatory potential of social accounting through a counter radical social accounting that is geared to the protection or enhancement of a repressive socio-political order (Gallhofer and Haslam, 2003, p131). A global social accounting project influenced by and developed down the lines of this Western, Anglo-Saxon, capitalistic project that is also insensitive to the particular needs and values of other, non-Western cultures and needs is most likely deemed to result in global social accounting practices, including those in the Arab World, that fail to deliver on their 'emancipatory/radical' potential and are likely to be orientated towards 'repressive/counter radical' social accounting practices.

This chapter has provided a delineation of radical social accounting. The coming chapters will also attempt to mobilise the understanding and delineation of social accounting provided in this chapter to explore the emancipatory/radical and repressive/counter radical potentials and actualities of social accounting manifestations

in a number of countries in the Arab Middle East. This chapter has also engaged in an analysis and critique of the current manifestations of corporate social responsibility and social accounting in the Western context. The following chapters will discuss the impact of this Western context on accounting/social accounting manifestations in the Arab world. The coming chapters will argue that this Western context is informing and dictating the way that accounting/social accounting is developed on the global level, including the Arab world, and is enforcing the orientation of these accountings towards a 'repressive/counter radical' positions. The study will argue that the colonial history along with the current global order and its institutions are contributing, among other factors, to the spreading of capitalistic and hegemonic views and practices of accounting/social accounting in the Arab world.



## Chapter Four

### **Insights from Islamic Teachings on Society, Business and Accounting.**

#### **4.1 Introduction**

Chapter four is concerned with extending the study of social accounting to accommodate insights from the culture and history of the postcolonial world of the Arab Middle East – with special emphasis on the teachings of Islam. This chapter elaborates insights into key Islamic teachings and values and highlights how they influence the relationship between business, society and accounting. The chapter aims to overcome insensitive Eurocentrism and cultural imperialism of actually existing accounting/social accounting practices (Gallhofer and Haslam, 1997; Gallhofer and Chew, 2000; Annisette and Neu, 2004) by bringing insights from the rich Islamic culture, which have a significant influence on the lives of Arabs.<sup>50</sup> The chapter will aid the study in illustrating that emancipatory potentials of Islamic teachings are repressed and threatened as a result of the insensitive Eurocentric influence of accounting/social accounting.

The chapter commences with a brief overview of Islam. It then highlights the Islamic values, beliefs and principles enshrined in Islamic Law (the Sharia) that would have significant impact on the way that business operates in Islamic societies. Next, the chapter illustrates how the teachings of Sharia, in principle, impact on the Muslim's approach to accounting. The argument is that the different Islamic values that govern the role of business in Islam require a form of accounting that reflects the social ends of relevance to Muslims. In this regard, Western accounting practices - which are largely informed by capitalism and secularism and are mainly orientated to meet the financial objectives of increasing profitability and shareholder's value - may not be suitable for a society where Islam is significant and plays a major role in people's life. The chapter will conclude that while Islamic accounting has not yet been significantly mobilised in practice in the societies of the Arab world, insights into the deep social roots of the relationship between society, business and, therefore, accounting, provides an alternative and a challenge to the conventional perceptions of business and accounting's role in society dominant in Western debates, literature and practices. The way that Islamic teachings privilege social justice relative to individual or shareholder financial

gains could help constitute a vision for developing a form of social accounting that has an emancipatory and enabling potential in society.

## **4.2 Islam: A Brief Background**

The Arabic word 'Islam' has the dual meaning of 'peace' and 'submission to the will of God' (obedience) (Gambling and Karim, 1991; Sadiki, 2003). The term 'aslama' means 'to submit one-self with complete peace of mind' or 'to give oneself up to God' and it's from this that the word Muslim derives. Muslims submitting to this path form the Umma, the community of Muslims (Lewis, 2001). Islam is numerically the second-largest religion in the world with 1.3 billion followers (after Christianity with two billion). Islam is the third and, for Muslims, the last monotheist religion. The centre-piece of the Islamic faith is the belief in the sovereignty of God. It traces its lineage back to Prophets Abraham and Adam and understands itself as a continuation of the message of Judaism and Christianity. Islam, Christianity and Judaism are inter-linked because all three are, in reality, worshipping the same one God (Ibrahim, 2000; Lewis, 2001).

The religious texts of Islam are the Holy Quran and the biography of the prophet Muhammad. The Quran for Muslims is the 'Word of God'. It spreads over a period of 23 years, the period during which the prophet Muhammad received the revelation. The Quran has to be seen and understood in the context of those 23 years. Many of its verses are commenting on the action that is taking place in a particular time in the life of the prophet Muhammad. It also contains some Biblical stories, such as those of the prophet Noah and Lot (Hourani, 1991; Ibrahim, 2001). Roughly, a third of the Quran is devoted to discussion of the attributes of God, a third is devoted to the discussion of reason, thinking, reflection, study, knowledge and wisdom and a third is devoted to issues of law, legislation and public policy. The Hadith, or the traditions of the prophet Muhammad, is - after the Quran - the second main source of guidance for Muslims. They communicate the spirit of Islam, what faith and living a good life should mean. They also provide an insight into the personality of Muhammad, his compassion, gentle

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<sup>50</sup> Chapter five and seven will further bring insights into the social, political and economic context of the nine countries in this study.



sense of humour, intense honesty and humility (Tomkins and Karim, 1987; Haniffa *et al.*, 2004; Haniffa, 2004).<sup>51</sup>

### 4.3 Islam and Society

Islam presents a dual worldview - this world (universe) and the hereafter. What man does (in all areas) in this short life affects his prospects in the hereafter (Ibrahim, 2000). Islam, therefore, through its teachings, provides Muslims with some significant principles and values that shape their individual and collective lives. These key values and principles are summarised in figure 4.1:

**Figure 4.1: Key Values and Principles that shape Muslim's Lives**

- Tawheed: the central concept of Islam literally means 'unity of God' but also implies the unity and equality of all humanity. Accordingly, to be a Muslim is to make God the judge and sovereign from whom is derived all laws, values and norms and to do all that God has directed and for his sake according to his will.
- Khalifah (Vicegerent): defines our position in the cosmos as 'trustees' of God. As trustees, we have the responsibility to safeguard nature and resources of the planet, and will be accountable for their abuse in this world and hereafter. Thus, khilafah (trustee) implies trust and responsibility, authority and duty, election and service. Some sayings of the prophet Muhammad illustrate the concept of Khilafah. Addressing Muslims, the prophet teaches: 'The world is green and beautiful and God has appointed you his trustee over it'. Man is, thus, the vicegerent (Khalifa) of God and is accountable for all his/her actions to God and will be judged and rewarded or punished in the hereafter according to these actions. These actions in whatever spheres of life be they politics, economics, law or social and natural science has to conform to the Sharia and its ultimate objective is the pleasure of God.

<sup>51</sup> To become a Muslim all that one has to do is to 'testify' by reciting the Shahada. This is the first of the so-called five Pillars of Islam, or fundamental observances, which form the basis of the Muslim faith: 1. Acceptance of the Shahada or witness of faith which consists of reciting the sentence 'la ilaha illa Allah, Muhammadu rassulu Allah' - there is no God but God, and Muhammad is his prophet. Any one who utters the Shahada in full faith must be regarded as a Muslim. 2. Prayer, or salat, is prescribed to be performed five times per day. 3. Alms, or zakat (a term derived from the Arabic zakat, meaning 'pure'). The Quran stresses that the giving of alms is one of the chief virtues of the true believer. 4. Fasting or sawm. All believers are required to observe the ninth lunar month of the Muslim year, Ramadan as a period of fasting in which they abstain from eating, drinking, smoking and sexual relations from sunrise to sunset. (Holy Quran 2:185-6). 5. Pilgrimage. The Hajj, or pilgrimage to Mecca must be performed at least once in the life of every Muslim, health and means permitting (Holy Quran 3.97) (Lewis, 2001, p.106).



- **Ihtisaab (Accountability to God):** The Muslim belief in God's judgement implies that every act in this world will have to be accounted for to God when man will be resurrected both bodily and in spirit in the hereafter. As the following Quranic verse illustrates: *In the name of Allah, the Beneficent, the Merciful: 'O humankind! Be careful of your duty to your Lord. Who created you from a single soul and from it created its mate and from them twain hath spread abroad a multitude of men and women. Be careful of your duty toward Allah in whom ye claim (your rights) of one another, and toward the wombs (that bore you). Lo! Allah hath been a Watcher over you.'* (The Quran, Surah an-Nisa 4:1). Accountability requires every Muslim to ensure that every word and deed in this world is in line with Islamic teachings, whether in the matter of performing their prayers or buying shares in the stock market.
- **Adl, or to do justice, in the most wide ranging sense of the word, in every aspect of individual and social life is a primary obligation for all Muslims.** The Quran says: *'We sent aforetime Our messengers with Clear Signs and sent down then The Book and the Balance (of right and wrong), that mankind may establish Justice'*. (Quran, 57:25). And, *'Allah commands justice, the doing of good (equity), and charity to kith and kin, and He forbids all shameful deeds and injustice and rebellion: He instructs you, that you may receive admonition'*. (Quran, 16:90). And *'...And act justly. Truly, God loves those who are just'*. (Quran, 43:9).
- **Akhrah (Hereafter):** The idea that we are all responsible and accountable for our actions in the hereafter. The Quran says: *'And those who believe and do good deeds, they are dwellers of paradise, they dwell therein forever'*. (Quran, 2:82).
- **Ilm, meaning, knowledge, the pursuit of which is a duty for all Muslims, male and female.** In Islam, knowledge – especially self-knowledge – is essential. For many Muslims, as in the Quran, Jihad (struggle) means the struggle to acquire knowledge and the integrity of conscience.
- **Shura, or consultation, is the basis of all Muslim social and political behaviour.** It refers to free consultation at all levels with the aim of achieving adl (justice), providing security and welfare to society.
- **Ijma, or consensus, which should be the basis for all Muslim social and political action.**
- **Ijtihad, literally the 'reasoned struggle' necessary to comprehend the meaning and implications of Islamic principles in contemporary circumstances.**



- Ummah, the term for the global brotherhood and sisterhood of Islam. All Muslims, said the Prophet, are like a single body: 'if one part is hurt, the whole body feels the pain'.
- Istislah, or public interest, a fundamental source of Islamic law, makes it a responsibility of individuals, communities and the state to consider the common good and welfare of the society and the planet as a whole. The Umma (Islamic community) can achieve Istislah by adhering to Sharia through the removal of hardship, preventing of the forbidden and striving for the truth before pursuing self-interest. The Prophet was quoted saying: 'None of you believes (completely) until he loves for his brother (other members of the community) what he loves for himself'.
- Ihsan, meaning kindness, is a principle that should guide all human behaviour towards others and the natural world
- Hikma, or wisdom, is essential for the religious life and to discern the difference between good, better, best and that which is bad and worse.

Sources: (The Holy Quran; Gambling and Karim, 1991; Ibrahim, 2000; Ibrahim, 2001; Haniffa, 2004; Haniffa *et al.*, 2004; Tinker, 2004).

The values and principles in figure 4.1 have direct implications for Muslims' social, political and economic norms, activities and values. These norms and values are inscribed in the Sharia (Islamic law). The main sources of Islamic religious law (Sharia)<sup>52</sup> were originally the Quran and the Hadith (Sunnah).<sup>53</sup> At an early date, three other sources were added, namely Kyas (analogy), Jima (consensus) and Ray (private opinion). Private opinion, however, has never been fully accepted as a faith source of Islamic law. Thus, the Sharia consists mainly of the Holy Quran, Hadith, Kyas and Ijma. (Zaid, 2000; Sukoharsono, 2001).

<sup>52</sup> The literal meaning of the Arabic word Sharia is 'the way to the source of life' and, in a technical sense, it is now used to refer to a legal system in keeping with the code of behaviour called for by the Quran and the Hadith (the authentic tradition) (Lewis, 2001).

<sup>53</sup> The Quran does not lay down the detail of the law, but only its general principles (Gambling and Karim, 1991, p.4). The Quranic principles were supplemented by reference to the Sunna of standard practice. This was known from thousands of statements about what the prophet had said or done, and found in the literature of the Hadith. The Sharia grew out of the attempts made by early Muslims, as they confronted immediate social and political problems, to devise a legal system in keeping with the code of behaviour called for by the Quran and the Hadith (Lewis, 2001, p.106; see also Gambling and Karim, 1991).



Sharia's<sup>54</sup> objective is to establish justice and promote social welfare through the obedience of God's commandments (Rahman, 2000; Haniffa, 2004). Thus, according to Al-Gazzali, a famous Muslim philosopher of the 11<sup>th</sup> Century, the objective of Sharia is:

'to promote the welfare of the people, which lies in safeguarding their faith, their life, their intellect, their prosperity and their wealth.' (Cited in Ibrahim, 2000, p.62).

According to another philosopher, Ibin Al Qayim al-Jawziyyah:

'the Sharia basis is wisdom and welfare of the people in this world as well as the Hereafter which lies in the complete justice, mercy, well-being and wisdom. Anything which operates from justice to oppression, mercy to harshness, welfare to misery and from wisdom to folly, has nothing to do with the Sharia.' (cited Ibrahim, 2000, p. 57).

Since Sharia represents the will of God rather than the will of a government or a human lawmaker, it covers all areas of life and not simply those of interest to a secular state or society. Nor is it limited to questions of belief and religious practice - it also deals with so many fields that in other societies, especially Western ones, would be regarded as the concern of the secular authorities. Sharia also embraces many aspects that would not necessarily be considered as law elsewhere. Islam, in this respect, rejects the division of the secular and the non-secular, since religion and state are one (Lewis, 2001; Tinker, 2004). Essentially, the Islamic state as conceived by orthodox Muslims is a religious entity established under divine law. Muslims cannot, in good faith, therefore, compartmentalise their behaviour into religious and secular dimensions, and their actions are always bound by the Sharia (Lewis, 2001; Ibrahim, 2000; Haniffa, 2004; Haniffa *et al.*, 2004). Islam and Islamic Sharia, therefore, do not merely represent a 'personal' religion, it is also an organisation for society, its institutions, as well as a guide for conduct of individuals within that institutional and social context (Tinker,

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<sup>54</sup> The study of Sharia is Fiqh, which includes Islamic legal rulings developed over the course of fourteen Centuries by the method of consensus, analogy, deduction, legal opinion from considerations of the public interest and welfare and from Islamised customs. These methodologies form the discipline of *usulul-fiqh* (sources and principles of Islamic jurisprudence). Nevertheless, while Sharia principles and rules from the Quran and Hadith are held to be immutable, the fiqh rules can change within the Islamic framework to accommodate the changing context and conditions (Lewis, 2001). Ramadhan (1992, p. 63) argues: 'Juristic reasoning is never, whether it be reasoning on the implications of these very texts or reasoning pertaining to occurrences in the absence of a directly applicable text...Did the founders of our schools (of Islamic Jurisprudence) ever claim finality for their reasoning and interpretations? Never! The teaching of the Quran that life is a process of progressive creation necessitate that each generation, guided but unhampered by the work of its predecessors, should be permitted to solve its own problems'. The elaboration of the Sharia into fiqh, however, should be undertaken within the worldview and principles and rules of the Quran (Ibrahim, 2000; Lewis, 2001).



2004, p. 452).<sup>55</sup> Values and principles such as Ihtisab, Adel and Shura (see figure 4.1), therefore, become integral to social and business activities in an Islamic society.

#### 4.4 Islam and Business

From an Islamic view, as in other traditional civilisations, economics was never considered as a separate discipline or distinct domain of activity (Taheri, 2000).<sup>56</sup> Islamic economics are based on Sharia that, as seen earlier, governs secular as well as religious activities. Muslims ought to conduct their business activities in accordance with the requirements of Sharia, the main objective of which is to ensure general human well-being and socio-economic justice (Rahman, 2000). Accordingly, Muslims are required to be fair, honest and just towards others. There are a large number of Islamic values and principles that define the extent and nature of business activity (see figure 4.1). There are values that should be adopted (positive values) such as iqtisad (moderation), adl (justice), ihsan (kindness par excellence), amanah (honesty), infaq (spending to meet social needs), sabr (patience) and istislah (public interest). Similarly, there are a number of values that should be avoided (negative values): zulm (tyranny), bukhl (miserliness), hirs (greed), iktinaz (hoarding of wealth) and israf (extravagance). An economic activity within the positive parameters is halal (allowed and praiseworthy) and within the negative parameters is haram (prohibited and blameworthy) which has to be moderated. Production and distribution that are regulated by the halal-haram code must adhere to the notion of adl (justice). Collectively, these values and concepts, along with the main injunctions of the Quran provide a framework for a just business and commercial system (Lewis, 2001; Haniffa, 2004; Haniffa *et al.*, 2004).

The concept of Khilafa (Vicerency), in principle, has a significant influence on business and economic relations in Islamic societies. The concept, as seen earlier (in Figure 4.1) perceives people's position in the cosmos as 'trustees' of God (Maali *et al.*, 2003). According to the Quranic verses: '*Whatever is in the heavens and whatever is in the earth belongs to Allah*' (Al-Baqarah, 2:284). Also: '*He is the real owner of*

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<sup>55</sup> Sharia's duties, accordingly, can be broadly divided into those that an individual owes to God (ibadat, acts of devotion and ritual) and those owed to fellow people, i.e. what constitute law in the Western sense (muamalat). These are considerable, and include, *inter alia*, marriage, divorce, sexual relations, care for children, adoption, maintenance and inheritance as well as commercial activities (Lewis, 2001).

<sup>56</sup> Consequently, there is not even a word for economics in classical Arabic. The term Iqtisad (economics) is a fairly recent translation of the modern term (economics) into Arabic. It has a very different meaning in classical Arabic, where it means primarily moderation and keeping to the golden mean (Taheri, 2000).



*everything and Allah's is the kingdom of the heavens and the earth, and Allah has power over every thing'* (Al-Imran, 3:189). Hence, all wealth belongs to God and humans are merely trustees of this wealth, entrusted with it to realise Sharia's objectives. According to Ibn Ashur (1966), the most important objective of the Sharia as regards wealth is to protect the umma's wealth (the wealth of the global Muslim communities) and make it available for their use through controlling its public as well as individual management. He explains that:

'It is the concern of the Sharia to see that wealth management is controlled in a way that would secure its distribution among people as far as possible and to help its growth in itself or in its considerations regardless of whether the direct beneficiaries are private individuals, groups, or sectors, large or small.' (Ibn Ashur, 1966, p5, cited in Ibrahim, 2000, p.47).

Furthermore, an important concept of business and business responsibility in Islamic teachings and Sharia is that meeting the business objective of generating profit should basically be subject to the avoidance of causing harm to the surrounding community and society at large. The Prophet is quoted as saying: '*Averting harm is paramount to the generation of utility*' (Qaradawi, 2002). Incidents in Islamic history emphasise this rule or concept. On many occasions, the social welfare of the community over-ruled business objectives. In one instance, during Islamic rule in the 16<sup>th</sup> Century, Muslim rulers ordered the closure of a tannery, located among a living neighbourhood, as the bad smell and smoke caused harm and disturbance to neighbours (Qaradawi, 2002). The economic objectives of Sharia could be broadly summarised in the principles outlined in Figure 4.2:

#### **Figure 4.2: Key Economic Objectives of Sharia**

- **Circulation of wealth and Zakat payment:**

Wealth should be circulated widely and not held or concentrated with a few. Zakat, sadaqah (charity) and prohibition of interest is the main tool to accomplish this objective. Re-distribution of wealth through Zakat is complemented by the system of inheritance, as specified in the Sharia, which constitutes a comprehensive family system for the re-distribution of wealth.

- **Prohibition of interest.**

Interest the surest way to unearned wealth accumulation while avoiding risk, which besets or worries the borrower is totally prohibited in Islam.



- A moderate lifestyle is encouraged, luxury is frowned on as poverty e.g. man (not women) cannot wear silk and gold. Muslims cannot use gold and silver plates or crockery. Conspicuous consumption is frowned on.

- Halal trade:

Investment can only be undertaken in activities that are not prohibited in Islam (prohibited activities includes gambling, alcohol, pornography and anything that is harmful to society). Agriculture and Employment is encouraged as are dignity of labour and the speedy payment of wages. Begging is discouraged. Cheating or misleading by giving false information is disallowed.

- Forbidden transactions and contracts:

All contracts must be clear and any uncertain contracts (ghara). This is to avoid damage, conflict and disputes.

- Loan transactions and other transactions that have future obligations, e.g. partnerships and joint ventures, have to be recorded and witnessed. Speculative transactions are forbidden.
- All dealings in business must be legitimate, just and fair and achieve a profit level that is reasonable. The prophet was quoted saying: 'There is no harm in selling for eleven what you buy for ten'. Excessive profit in Islam is deemed as tantamount to exploitation.
- Conventional insurance contracts based on uncertainty, speculation and with an element of gambling are prohibited and replaced by *takaful*, a scheme based on co-operative saving, a portion of which is put into a common claims pool, if a contingency arises.

Sources: (Gambling (n.d); Ibrahim, 2000, Maali *et al.*, 2003; Haniffa *et al.*, 2004; Haniffa, 2004).

#### 4.5. Islam and Accounting

Culture, values and religion are important factors in shaping the role of accounting in society (Abdul-Rahman and Goddard, 2003). The relationship between Islam and accounting is shaped by an important aspect: Islamic law (Sharia). The Sharia, as noted earlier, claims to regulate all aspects of life, ethical or social and encompasses criminal as well as civil jurisdiction (Lewis, 2001). In other words, God has given man a law to live by (Gambling and Karim, 1991). In that sense, a Muslim's approach to accounting is clear, as is his/her approach to everything else. Accountants, like any other adherents,



must perform their duties in accordance with the rule and regulations of Islam and base their actions on Islamic ethical norms. These ethical principles define what is true, fair and just, the nature of corporate responsibilities, the priorities to society, along with some specific accounting standards (Lewis, 2001; Maali *et al.*, 2003). Therefore, Islamic ethics and values, highlighted in the previous sections, have a direct impact upon accounting practices and principles. For instance, important Islamic principles, such as the institution of Zakat (the religious levy), the prohibition of riba (usury) and the institution of an interest free economic system, have certain implications for accounting's financial principles and calculations (see Gambling *et al.*, 1991; Baydoun and Willett, 2000; Taheri, 2000; Lewis, 2001; Haniffa, 2004; Suleiman, 2000).

Providing a fair basis for the calculation of Zakat is considered one of the main objectives of financial Islamic accounting (Ibrahim, 2000).<sup>57</sup> The objective of Zakat assessment would specifically be to determine a fair share of the wealth and income to be distributed to the poor. All business firms in an Islamic society have a social role manifested mainly by the payment of Zakat. Hence, Zakat imposes a need for an accounting system which is adequate for calculating and disclosing off the Zakat that should be paid (Taheri, 2000; Ibrahim, 2000).<sup>58</sup> In the same context, the concept of 'interest-free' Islamic financing that is grounded on the prohibition of interest by the Sharia has resulted in the use of equity-funding/leasing and instalment sale techniques of financing by these institutions. These concepts of financing ventures in Islam have a significant impact on the calculation of distributed income and the agreed share of profit

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<sup>57</sup> Islamic Zakat, while it has some similarities to the conventional tax system, differs from it. Under a conventional tax system, the government may have a range of usages of the tax. They typically have a range of priorities expenditure and are concerned with the promotion of the economy and certain industries (resulting in different fiscal policies and the enforcement of rules e.g. capital allowances, expense exemptions, double tax relief). Such a wide-range set of purposes does not apply in the case of Zakat. Furthermore, the Zakat rate is pre-determined and can not be changed by the government (Ibrahim, 2000). On the social dimension, the Quran (9:60) has specified those who are eligible to receive Zakat payments from the Zakat fund. These include the poor, the deprived, those who are unable to pay their debts, destitute travellers, and those on the path of Allah. Some religious scholars have justified the spending of Zakat on health and education as well as on some other services; however, this does not include the salaries and wages of those working in these sectors (Taheri, 2000).

<sup>58</sup> Uthman (1997, p. 35 cited in Haniffa *et al.*, 2004, p. 15) lists some of the general requisite for Zakat to be collected: absolute ownership, excess over one's basic needs, insolvency from debt, and the elapsing of one lunar year of the stock to be taxed. To calculate the amount of Zakat, assets need to be valued in contemporary terms, not in historical cost terms. The choice of accounting policy for Zakat is entirely different from the choice in typical Western business where the accounting policy choice is aimed at minimising tax that is, taking actions to reduce amount of tax burden. In Islam, the policy is aimed at purifying and contributing to the well-being of the beneficiaries to achieve socio-economic justice (Haniffa *et al.*, 2004).



or losses (Ibrahim, 2000; Haniffa *et al.*, 2004).<sup>59</sup> Figure 4.3 provides a summary of the main features of a number of key Islamic financing techniques.

The importance of Islamic concepts such as Zakat and interest-free economy and the general wish of Muslims to abide by these concepts prescribed in Sharia in their businesses dealings, necessitate the search for an Islamic accounting alternative that will meet the needs of these organisations and the Muslim societies in which they operate (Ibrahim, 2000; Suliman, 2000). The implication of these Islamic financial concepts on accounting could be considered as a form of social accounting in a sense that the relation between the social and the economic is integrated and interconnected (see chapter two section 2.3.1) and that these economic concepts are designed to better Muslim's societies and contribute to the distribution of wealth in these societies. Accounting in this context is mobilised to the enhancement of the social justice, the main objective of Sharia, by providing basis for the calculation and representation of these economic concepts.

**Figure 4.3: Summary of main features of a number of key Islamic Financial Techniques.**

Technique	Features
<i>Mudaraba</i>	Mudaraba is an investment based technique, which is a partnership in profit between capital and labour. Profit is shared as agreed by the two parties and the losses being borne by the provider of funds. Mudaraba differs from what is known as speculation, which includes an element of gambling in buying and selling transactions.
<i>Musharaka</i>	An investment based technique whereby each party contributes to the capital of a partnership in equal or varying degrees to establish a new project or share an existing one. Each of the parties become

<sup>59</sup> In most of these financing forms there is complete uncertainty regarding the rate of return (Suleiman, 2004).

	an owner of the capital on a permanent or declining basis and shall have their due share of profit. Losses, however, are shared in proportion to the contributed capital. It is not permissible to stipulate otherwise.
<i>Murabaha</i>	Combination of trading and debt technique. The sale of goods at cost plus an agreed profit mark up. Here the seller should inform the purchaser of the price at which the product was purchased and the stipulated amount of profit in addition to this.
<i>Qard Hassan</i>	Funds advanced under Qard Hassan are for humanitarian and welfare purposes. Repayments are made over a period agreed by both parties, with no profit accruing to the providers of funds.
<i>Islamic securities</i>	Equity investment is made in those companies whose principle activities exclude gambling, production or sale of alcoholic beverages or pork products and weapons manufacturing and financial services. Excluded companies also include those that derive their main source of revenue from interest income.

Sources: Faysal Islamic Bank Report, 1999; Haniffa *et al.*, 2004).

Another important implication of Islam for accounting is in respect of the Islamic concept of accountability that has implications for a non-financial social accounting. In the Quran, the word *hesab* is repeated more than eight times in different verses (Askary and Clarke 1997, cited in Lewis, 2001). *Hesab* or 'account' is the root of accounting, and the references in the Quran are to 'account' in its generic sense, relating to one's obligation to 'account' to God on all matters pertaining to human endeavour for which every Muslim is 'accountable' (Lewis, 2001, p113, see also Ibrahim, 2000; Haniffa, 2004). The basic similarities between *hesab* in Islam and 'accounting' lies in the



responsibility of every Muslim to carry out duties as described in the Quran. Similarly, in a business enterprise, both management and the providers of capital are accountable for their actions both within and outside their firm. Accountability in this context, means accountability to God that requires compliance with Sharia, which main objective is achieving social justice within the Umma. One of the main objectives of Islamic accounting, therefore, is to provide information that discharges the accountability of those in the Umma (Islamic community) (Lewis, 2001). A business organisation in an Islamic society, accordingly, need to demonstrate accountability on issues such as the provision of excellent lawful products/services to society as trustee of God (in line with the Islamic principle of vicegerency); creation of reasonable profits (in line with the Islamic positive value: moderation); to ensure that business activities are ecologically sustainable (in line with the Islamic principles of vicegerency and moderation) and to, in general, attain the objectives of the business venture based on positive values and avoid negative ones (Haniffa, 2004; Haniffa *et al.*, 2004).

This concept of social accountability in Islam has a direct implication for reporting and disclosure requirements and hence for accounting. If the purpose of accounting is to serve the public interest, it follows that in an Islamic context the Umma has the right to know about the effect of the operations of the organisation on its well-being and to be advised consistent with the Sharia as to how this has been achieved. Because God requires accountability to the Umma; truthful and relevant disclosure of information is important in different aspects of Islamic life (Lewis, 2001; Maali *et al.*, 2003). Besides the obligation of disclosing the worth of assets and liabilities of the company, mainly for purposes of Zakat calculation, Islamic accounting needs to report any activities undertaken by the organisation that are prohibited by the Sharia. The general prohibitions, for instance, on both waste and avarice, and unfair trading practices, imply a need for records that demonstrate what a business person has done (Gambling *et al.*, 1991). In addition to these disclosures, other socio-economic transactions that are not normally reported in conventional accounting reports e.g. state of employee-employer relationship, Zakat collection and payment as well as social and environmental effect of the organisation's activities need to be disclosed, if one is to keep to the principles of Islamic Sharia. This information will enable users to ensure their Islamic organisations are operating within Islamic parameters (Ibrahim, 2000, p.55). Haniffa (2004, p. 14) highlights types of information that should be disclosed by organisations adhering to Islamic Sharia to meet the needs of Islamic societies. These include, the provision of



information regarding lawful and unlawful activities undertaken, reasons for undertaken the latter activities and how the organisation is/will deal with them. Other types of information include employee policy, debtors and creditors, the use of resources and protection of the environment. These disclosures comply with the Islamic principles such as vicigency, justice and Umma (Haniffa, 2004).

Another significant implication of Islam for accounting is the way that Islam conceives the role of the accountant (Muhtasib) in society: relationship of the word accounting to auditor. The person that is described as Muhtasib in Islam is the one responsible to make sure that business is not harming the community. The Muhtasib was responsible, among other things, for making sure that business activities such as baking and tanning are situated in areas where they do not have negative impact on the community through emissions and smells they produce. Furthermore, the Muhtasib was responsible for making sure that businesses are not disposing their waste in a way that is harmful to the community surrounding them. The Muhtasib during the Islamic rule in the fifteenth and sixteenth century is reported to have made sudden visits to these business locations to make sure that their activities are in compliance with Umma's best interests (Qaradawi, 2002). The Muhtasib's role and accountability in an Islamic society, therefore, is not limited to technical and financial traditions. It is a social role, where the Muhtasb's accountability extends to making sure that Sharia's social rules in respect of Umma's welfare and interests are enforced and complied with.

#### **4.6 Discussion and Conclusion**

It is well established in the accounting and social accounting literature that cultural beliefs and moral values have an impact on accounting/social accounting practices (Lewis and Unerman, 1999). These cultural beliefs and moral values, however, sometimes are repressed and subordinated as a result of Western centrality and cultural imperialism in the setting of national or international accounting standards and initiatives. Bebbington (2001) noted that many international initiatives and concerns in the area of corporate social responsibility are focused on the Western and developed world aspirations. She noted that, according to Grubb *et al* (1993), at the Rio Conference: *'The global issues which were of greatest concern to the North received a high profile relative to issues such as water quality, which are far more significant in terms of the quality of life and indeed survival in developing countries'* (Bebbington,



2001). Furthermore, standardisation of social accounting and reporting, as noted earlier in chapter two, is based on traditional accounting concepts and principles. These standards and concepts are taken from Western, mainly Anglo-American, frameworks that are developed to serve a Western worldview of business and accounting (see also chapter five). Gibson (2000) explains that the meanings of today's accounting concepts are in many instances opposed to the understanding of these concepts in traditional aboriginal societies. In a similar fashion, Greer and Patel (2000) argue that the core values of Australian indigenous people sharing such as sharing, relatedness and kinship obligations inherent in indigenous conceptions of work and land, are incompatible with the Western values of quantification, objectivity, efficiency, productivity, reason and logic imposed by accounting and accountability systems.

As noted in this chapter, economic objectives outlined in Sharia law and the Islamic economic systems are orientated heavily towards social justice. This explains the basic difference between Islamic and Western economies (Rahman, 2000). In Western materialistic economies, the individual has nearly unconditional and absolute rights over wealth and, in relative terms, is allowed to use it as he or she pleases (Shafi, 1979 cited in Rahman 2000, see also Haniffa *et al.*, 2004)). The individual's main aim in Western economies is, according to Rahaman (2000), to maximise this wealth and the 'bottom line'. A main objective or concern to a business enterprise in the West is the maximisation of profit and minimisation of loss. Economic and not social factors are here the primary influence on business activities and behaviour (Haniffa *et al.*, 2004). In Islamic economies, on the other hand, individuals do not have this near absolute right over their wealth. While granted ownership over wealth, this is as trustees only. It is legitimate for Muslims to seek and achieve profit, but this goal should be pursued according to Sharia instructions and objectives (Maali *et al.*, 2003; Tinker, 2004) including those outlined in figure 4.2. Thus, wealth maximisation is not the main objective of business in Islam. This notion has been nicely summed up by Crane (1981):

'Western economies generally cannot conceive of any measure that extends beyond the material world, whereas Muslims generally cannot conceive any measure that does not.' (cited in Rahman, 2000, p.6).

So unlike the Western conventional view of the relationship between business and society, Islamic thoughts and teachings put social justice objectives, and therefore, responsibility, at the heart of and as a condition for economic objectives. These



objectives are submerged within a divine Islamic law that governs and connects Muslims' daily activities, whether economic, social or political. A Muslim person, therefore, can not, in good faith, depart from these teachings when carrying out an economic activity or any activity.

The role of Islamic accounting and Muslim accountants in society, therefore, should help in achieving Sharia's objectives by avoiding conflicts between different groups of society through providing a fair basis for the calculation of Zakat, which, in turn, means a fair basis of sharing profit and wealth in society. In addition, Islamic accounting should provide the basis for the redistribution of power within society through transparency and full disclosure in respect of the way that the firm is affecting the Umma's well being (Ibrahim, 2000, Maali *et al.*, 2003), despite the possibility that this information could work against the firm's image (Maali *et al.*, 2003). Accounting information, therefore, should help empower the Umma to make decisions in accordance with society's well-being. Therefore, many of the conventional accounting practices that are most applicable to the concept of private accountability, which privileges shareholders and providers of finance to other members of community, do not seem to be relevant to the type of accountability required under the Sharia. It could also be argued then that accounting under Islamic teachings goes beyond a narrow 'economistic focus' of conventional accounting to include accountability to community's welfare as a whole. Accounting under Islamic teachings and values, accordingly, has an emancipatory potential of discharging accountability and moving a society towards a fairer and more just life. For instance, the way that social objectives are historically and deeply rooted in Islamic perceptions of business and accounting can positively enhance the application of a radical form of social accounting in Arab societies. These social objectives are perceived as an important element for adherence with Islamic Sharia, which is an important aspect for many people in Arab societies. Furthermore, it is from these deep social roots to business and accounting that the Western, and to a large degree, the international project of social accounting and reporting can learn and gain insights. In this context, Gallhofer *et al.* (2000) explain that the study of diverse cultures can contribute to the development of social accounting. There is a concern, however, that these emancipatory potentials are repressed or constrained by Western influence. Chapter two and three provided a critical debate of the way that contemporary social accounting in the Western context and literature, which largely inform international initiatives and debates, portray social accounting as a



new phenomenon, which made social accounting more easily characterised as immature, marginal and eccentric (Gallhofer and Haslam, 2003). This has significantly rendered the adoption of social accounting problematic and contributed to the countering of its progressive and radical potentials.

Western societies and culture, therefore, rather than continue to perceive themselves as superior with a duty to teach and change other cultures to adhere to their own perceptions should attempt to start respecting, listening and learning from these cultures. Arab and Islamic culture(s) in particular has been presented in Western discourse to be at best irrelevant or even, sometimes, to possess a threat to Western civilisation, modernity and humanity. Orientalism, in this context, continues to play a role in current Western representations of 'Arab' cultures. The Arab is presented as irrational, untrustworthy, anti-western, dishonest and prototypical (Said, 1978 cited in Bahri, 2000). Orientalism, now more than ever, has convinced the West that Islam and the West have been in a clash of civilisations. Writers such as 'Samuel Huntington' insisted in his paper '*The Clash of Civilisations*' that: '*It is my hypothesis that the fundamental source of conflict in this new world will not be primarily ideological or primarily economic. The great divisions among humankind and the dominating source of conflict will be cultural*'. Huntington concentrated in his argument on the conflict between Islam and the West (Said, 2001).

In a similar vein, Western magazines and newspapers presented Islam as the new threat to the West by comparing it with communism. Said (1997) explains how the '*Sunday New York Times*' headlined its January 21, 1996 issue with '*The Red Menace is gone. But Here's Islam*'. The article mainly warns about Islam (the green menace) as a danger to Western interests. These types of representation in the Western media about Islam contain unacceptable generalisations of the most irresponsible sort (Said, 1997). '*The Clash of Civilisations*' and similar writings produced by writers in the West are plainly designed not to edify but to inflame the readers' indigent passions as Westerners and shape a sense of what is needed to be done (Said, 2001). For example, the deliberately created associations between Islam and fundamentalism ensure that the average reader comes to see Islam and fundamentalism as essentially the same thing (Said, 1997). Islam, as a result, is portrayed as basically outside the known, familiar, acceptable world that the West inhabits (Said, 1997). These presentations reinforce the separation between 'us', the 'West' the 'civilised', the 'superior', and, 'others', 'them', the

'Orientals', the 'uncivilised', and, the 'inferior', and the notion that because they are not Western, they are not good (Said, 1997).<sup>60</sup> Therefore, the imperial culture of the West continues to exist in our current global context disguised with calls for freedom, democracy and modernity. Little time is spent on revisiting the culture of the 'other', such as the Arabic/Islamic one, with different perspectives beyond imperial ones. Little time is spent trying to understand these perspectives as something not so different from – or meaningful to – Western thoughts and perspectives, but which can be learned from. After all, the West, in its civilisation, built on the rich history of Islam. The West drew on the humanism, science, philosophy, sociology and historiography of Islam. Islam, therefore, is inside the Western civilisation from the start (Said, 2001, see also Tinker, 2004). Davis (2002) stresses the same point by reminding that there would be no Europe as we know it without Islam, without the constant interconnection with Muslim civilisation. And there is no Muslim existence today or in the future that can be conceived without interconnection with the West. Tinker (2004), in the same vein, notes that the West can derive (and has indeed derived) insights from the experience of previously Islamic functioning societies. The West can learn from the way that civilisations incorporated under the Islamic Empire celebrated unity in diversity by drawing from all sources for their development. This Tinker (2004, p.454) explains, stands in contrast to the totalising mission of Western capitalism, where colonised identities are viewed as 'primitive' and in need of 'civilising'.

Concepts derived from Islam and Islamic teachings, accordingly, could represent a potential for an emancipatory social system, including systems of social accounting(s), where, above all, the injustice of the current form(s) of capitalism is fought against; transparency and accountability to society are keystones for enhancing the welfare of that society and where diversity is celebrated rather than repressed. Accounting and global accounting organisations and initiatives, in this context, could start giving a voice to the 'other', in this case the Arab/Muslim world, rather than assuming its silence, non-existence, opposition or irrelevance. These organisations should start to evaluate different cultural constructions and religious values in a critical and objective fashion and start considering them as equal and worthy participants in the global community. This is not to suggest that Western culture and values are irrelevant. Rather it means, as

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<sup>60</sup> Said (1997) suggests that unlike Orientalists in the 18<sup>th</sup>, 19<sup>th</sup> and the beginning of the 20<sup>th</sup> centuries, contemporary scholars in Oriental relations do not have the breadth of culture or range of authority. Academic experts on Islam in the West today tend to know about jurisprudential schools in 10<sup>th</sup> century



Gallhofer and Haslam (2003, p17) note, 'accepting the absence of a privileged subject for radical change'.

Forthcoming chapters will demonstrate how the Western imperial and insensitive influence on societies of the Arab Middle East has contributed to displacing and repressing some of the emancipatory potentials of Arab culture. The colonial experience in the 20<sup>th</sup> century and the neo-imperial global order today, the study will argue, have been successful in spreading problematic Western accounting practices in the Arab world and in hindering the adoption of practices that adhere to Islamic and Arab particular emancipatory potentials. The study will attempt to challenge the influence of these repressive and imperial accounting practices through engaging in a critique of these practices and giving a voice to Arab Middle Eastern alternative culture and perspectives.

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Baghdad or 19<sup>th</sup> century Moroccan urban patterns but never (or almost never) much about the whole civilisation of Islamic literature, law, politics, history, sociology and so on (Said, 1997).

## Chapter Five

### Context Analysis of the Nine Arab Middle Eastern Countries

#### 5.1 Introduction

The concern here is to provide a historical analysis of key social, political and economic dimensions and developments for the Arab Middle Eastern countries focused upon. The analysis focuses on the nine countries of Bahrain, Egypt, Jordan, Kuwait, Oman, Qatar, Saudi Arabia, Syria and the United Arab Emirates (UAE), all of which share a common religion, language as well as a continuous geography (there will be a special emphasis on the case of Syria in chapter seven). The context analysis aims at shedding a light on possible key contextual and historical factors and events that may have had a major influence on the current developments and practices of accounting/social accounting in the nine countries of the study. Furthermore, it will elaborate on the particular potentialities of this context and its impact on accounting/social accounting. Understanding the historical context of the nine countries also aids the study in envisioning a way-forward for the betterment of social accounting practices in these countries, so that accounting/social accounting would play an emancipatory role in bettering these societies.

The chapter commences by highlighting the geographical and geopolitical importance of the Middle East that has historically made the area a centre of international attention and intervention and a scene of conflict throughout history (Anderson, 2000). Islam, its emergence, expansion and influence on the Middle East will also be discussed. The chapter will consider how Islam, a religion preached by Muhammad, a fairly poor member of the family of Quraish in the desert of Saudi Arabia, has had until this day and continues to have, a major impact on the life and culture of the Arab people in the Middle East. The chapter will then move to draw attention to the Western, mainly British, French and, later US, influence on the Middle East. The analysis will concentrate on Western intervention in the area after the end of World War I and the fall of the Ottoman Empire. The chapter will highlight how the Arab region in the Middle East has been subject to colonial powers that carved it into artificial political boundaries and imposed on it political economic systems that were alien to the region. Even in the now so-called independent states of the Arab world, the Western colonial and imperial political and economic influence continues. This is evident in that, for instance, most of



these states are still governed by the same families supported by the British and the US, and in that most, if not all, of the focal countries, are pursuing and feel the need to adopt open market, Western style capitalistic policies to be accepted and integrated into the current global order.

The chapter will later discuss the major political, economic and social characteristics of the focal Arab countries and their impact on the way accounting has developed and has been regulated in the nine countries. This will be further analysed in light of the current global context, and will give particular attention to the impact of both Islam and the West on accounting/social accounting manifestations in the nine Arab countries. The context analysis in chapter five will furthermore be used for the purpose of better understanding the content analysis and interview results of chapters six and eight.

## **5.2 The Geographical and Geopolitical Importance of the Middle East**

The term 'Middle East' first gained currency in the British India office during the 1850s. The Middle East was the area lying between the Indian subcontinent, where the British Empire had great interest and influence, and the Near East or Levant. The focus of the Middle East was the Persian-Arabian Gulf where it was seen as 'middle' in an East-West sense but also possibly in a North-South sense, essentially between the Russians to the north and the British to the south (Anderson, 2000). In recent times, the Middle East is taken to include the region from Egypt in the west through to Iran in the east and from Turkey in the north to the Arabia Peninsula in the south (Cleveland, 1994). Other sources extend the geographical coverage to include Arab North Africa, the Sudan and Islamic Afghanistan. The majority of Middle Eastern studies, however, focus on the central area of the Middle East (Hourani, 1991). The Middle East has a central location in the World Island. It is located at a meeting place between the three Old World continents, which makes it a major crossroads of global cultures (Magnarella, 1999; Anderson, 2000). The importance of the Middle East goes back to early periods in history when civilisations such as the Egyptian, Sumerian, Babylonian and Assyrian flourished. In addition, within the region also arose three great monotheistic religions: Judaism, Christianity and Islam. A fourth, even older, Zoroastrianism, arose nearby and spread into the region. The region was successively part of the Persian, Greek, Roman, Arab, Mongol, Tartar and Turkish Empire, which made the Middle East a centre of human affairs and different cultures and civilisations (Hourani, 1991; Anderson, 2000). In modern history, the Middle East continues to be

strategically important as a central geographical connection between Europe, Asia and Africa; and as an intermediate between the East and the West (Anderson, 2000).

The importance of the Middle East goes beyond its central geographical location to include geopolitical issues. For instance, through Islam with its 1.3 billion adherents, the Middle East has links to most countries in the world. Furthermore, as a result of oil, it is closely aligned with the three great economic regions: the USA, European Union (EU) and Asia Pacific (Anderson, 2000). It is not surprising, therefore, that the Middle East, more than any global region, has been the focus of international attention and the scene of conflict throughout history (Anderson, 2000).<sup>61</sup>

### **5.3 People of the Middle East**

Despite its predominantly Arab and Islamic character, and despite its overall unity of climate and culture, the Middle East exhibits a significant degree of ethnic, and to a lesser degree, religious diversity (Hourani, 1991; Magnarella, 1999; Anderson, 2000). It is argued that few regions in the world can surpass the Middle East in heterogeneity of population. The region, Magnarella (1999) explains, has attracted waves of immigrants from various parts of the Old World (See Table 5.1). With regard to language, from the interior of Arabia have come two great groups of languages, North Semitic and South Semitic. Arabic, the most common language in the Middle East<sup>62</sup>, belongs to the second group. Arabic, originally spoken by a small group of traders, townfolks and desert nomads in the district of Medina and Mecca, was the language of Muhammad and his early followers. With the rise of Islam in the 7<sup>th</sup> century AD, Arabic quickly replaced existing languages in Libya, Egypt, the Levant and Iraq. As the language of the Quran, Arabic is one of the great unifying influences of the Islamic world (Hourani, 1991; Magnarella, 1999).

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<sup>61</sup> In recent times, for example, factors such as the establishment of the state of Israel centrally in the Arab core of a region which is overwhelmingly Islamic, the realisation that between them certain Middle Eastern countries possessed the world's major reserves of Petroleum, which is the most strategic commodity for global industrial development, have contributed to keeping the Middle East the world's premier geopolitical flashpoint and a focus of international attention (Anderson, 2000).

<sup>62</sup> It should be noted that the dominance of Arabic in the Middle East is not complete (Anderson, 2000).



**Table 5.1: General Demographic Information for the Nine Arab Countries.**

Source: (Magnarella (1999), p. 5)

<i>Country</i>	<i>Population and Ethnic Groups</i>	<i>Major Religions</i>	<i>Government</i>
<b>Bahrain</b>	590,100. 63% Bahraini; 13% Asian; 10% other Arab; 8% Iranian; 6% others	95% Muslim; 5% other	Traditional monarchy (cabinet-executive system)
<b>Egypt</b>	63,575,107 99% Eastern Hamitic; 1% others	94% Muslim (mostly Sunni); 6% Christian & others	Republic
<b>Jordan</b>	4,212,200 98% Arab; 1% Circassian; 1% Armenian	92% Sunni Muslim; 8% Christian	Constitutional Monarchy
<b>Kuwait</b>	1,950,100 45% Kuwaiti; 35% other Arab; 9% South Asian; 4% Iranian; 7% others	85% Muslim; 15% Christian; Hindu, Parsi, other	Nominal Constitutional Monarchy
<b>Oman</b>	2,186,600 99+% Arab; <1% other	95% Muslim; 5% other	Traditional Monarchy
<b>Qatar</b>	547,800 40% Arab; 18% Pakistani; 18% Indian; 10% Iranian; 14% other	95% Muslim; 5% other	Traditional Monarchy
<b>Saudi Arabia</b>	19,409,100 90% Arab; 10% Afro-Asian	100% Muslim	Hereditary Monarchy in Sa'ud family
<b>Syria</b>	15,609,000 90% Arab; 10% Kurd, Armenian, Circassian & Turk	74% Sunni Muslim; 12% Alawite; 6% Druz; 8% Christian and Jewish	Republic
<b>United Arab Emirates</b>	3,057,400 19% Emirian; 23% other Arab; 50% South Asian; 8% East Asian & other	96% Muslim; 4% Hindu, Christian & other	Traditional Monarchy. Federation of Emirates (Seven Emirates in the Arabian Gulf came together in 1971 and formed the UAE)

#### 5.4 Islam, Its Emergence, Expansion and Influence

Religion has always played a dominant role in the Middle East. The region was the source of the world's great religions, all monotheistic, which arose in the following

order: Zoroastrianism, Judaism, Christianity and Islam (Hourani, 1999; Anderson, 2000).

Shortly after AD 600, Muhammad, a fairly poor member of the family of Qureish (in the Arabian city of Mecca) began preaching a doctrine that had come to him by divine revelation. His message was first received with indifference and later with hostility so that in AD 622 he decided to leave his native city of Mecca and established himself at Medina. This flight or 'Hijra' from Mecca to Medina is taken as the beginning of the Islamic era (Cleveland 1994). Within only a few years of Mohammed's death<sup>63</sup>, from being an obscure religion of a small group of people in Arabia, the Islamic ummah had expanded to embrace a universal world empire. Islam spread into Palestine, Syria, Egypt, Iraq and Iran. Arabic replaced Greek, Persian, and Aramaic. Islam replaced, though it did not eliminate, Judaism, Christianity and Zoroastrianism. In essence, Islam was established alongside the Byzantine and Iranian Empires which at the time divided the Middle East (Hourani, 1991; Cleveland, 1994).

This political and social success of Islam raises important questions, such as how could the Islam of the prophet's Caravan city of Mecca survive as a guide to administrative, economic, and social practices? How could the people living within the territories of the extensive Arab conquest, with their long established traditions, be organised to obey the commands on proper human behaviour that God revealed to a Meccan merchant in Seventh-century Arabia? (Hourani, 1991; Cleveland, 1994). Many factors are behind this political and social success of Islam. For instance, Islam expanded in the Middle East region which was a repository of centuries of accumulated intellectual exchanges, religious experiences and administrative practices. Islamic society, has according to Cleveland (1994), built on these existing foundations and was shaped by them. Cleveland further explains:

'Islam united the Greco-Christian territories of Byzantium and the lands of Iranian-Zoroastrianism into a single religiously based universal empire. The encounter between the new faith of Islam and the established traditions of the Middle East led to the creation of a new civilisation that was profoundly and unmistakably Islamic yet also bore evidence of the centuries of accumulated practices that had preceded it.' (Cleveland, 1994, p.3).

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<sup>63</sup> Muhammad died in 632 AD (Cleveland, 1994).



Therefore, Islam and its teachings were not alien to people in the new areas. The Holy Quran also explains that Islam is not a new religion and that its teachings are in essence, the same message and teachings which God revealed to all his prophets (Al-Rehaily, 1992).

‘Say: we believe in God and that which was revealed to us, and that which was revealed to Abraham and Ismail and Isaac and Jacob and the Tribes and in that which was given to Moses and Jesus and to the Prophets from their Lord; we make no distinction between one and another among them, and to God we submit.’ (The Holy Quran, 3:84 cited in Al-Rehaily, 1994 p.50).<sup>64</sup>

Another factor attributed to Islam’s social and political success is the direct nature and simplicity of Islam, with its clear relationship to matters of everyday life and its offering of a brotherhood of man that had an immediate appeal to people and resulted in Islam’s rapid development and expansion from China to France (Hourani, 1991). Furthermore, following the military victories of the Arab warriors, the Islamic administration ensured fairly equal distribution of resources in the conquered territories.<sup>65</sup> Local customs, in addition, were often allowed to continue, and certain existing practices were incorporated into the Islamic tradition (Cleveland, 1994).<sup>66</sup> This has allowed the Islamic pulse to guide the organisation of state and society. The moral imperatives of the Quran, therefore, were elaborated upon and formed the core of Sharia and the Islamic concept of Umma was sustained (Cleveland, 1994) (see chapter four for delineation of the concept of Sharia and its principles). From the Eighth century onwards, Islam became a global civilisation in which knowledge, technology, and artistic tastes were transported back and forth across a vast domain. Therefore, a variety of regional practices and interpretations imparted special characteristics to Islamic cultures in different parts of the world. No single political or cultural unit embraced the totality of Islam. That is why some scholars now point to the existence of several Islams coexisting in vibrant diversity yet, united in acceptance of the message of the Quran and the core requirements of Islamic rituals (Lapidus, 1988; Cleveland, 1994). Therefore, unlike most Orientalists’ representations of Islam today (see chapter four, section 4.6); Islam is

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<sup>64</sup>Chapter four included further details of Islamic teachings and Sharia.

<sup>65</sup> Despite the irreverent behaviour of some members of the elite (Cleveland, 1994; see also Hourani, 1991).

<sup>66</sup>The Abbasid Empire (750-1258) is a very good example of how the Islamic Administration worked towards a universal Islamic Empire. This Islamic order facilitated and allowed, especially during its first 150 years of relative political stability, immense economic prosperity, and increasing universalism within the central Islamic domains. The Abbasids abandoned Arab exclusiveness and adopted a universalist policy accepting the equality of all people, regardless of the racial origins. This attitude led to a growing cosmopolitanism within the Empire as converts from among the conquered peoples participated fully in the economic and political life of the state (Hourani, 1991; Cleveland, 1994; see also Kennedy, 1981).



not a source of fundamentalism and does not represent a clash of civilisations with the West. Islam expansion, on the contrary, has been the result of its ability to learn from and integrate with the different cultures it came in contact with. This is in contrast to the Western civilisation attempts today to negate and replace local customs, cultures and values with its own, on the grounds that this will lead to modernity, democracy and growth (Sadiki, 2003). Universalism during the Islamic Empire represented an enlightened global civilisation, where Arab exclusiveness and 'superiority' were abandoned in favour of equality of all people, regardless of their racial origins (Cleveland, 1994).

With the fall of the Ottoman Empire by the end of the 19<sup>th</sup> century, nearly all major political units of Islam, from Indonesia to Northern Nigeria, were under some form of European control (Gibb, 1962; Cleveland, 1971; 1994; Hourani, 1991). This, in essence, marked the end of the Islamic Empire that lasted for nearly ten centuries. Islam, however, continues until this very day to have a major impact on the life and culture of the Middle East. Many features of social and political life in the modern Middle East derive from religious matters (McKee *et al.*, 1999; Anderson, 2000). To Muslims, Islam provides a full way of life, with complete interpenetration of civil religious and even economic activities and with codes of law derived from religious bases (Anderson, 2000). For the Muslim, Sharia should be the source of all law. To be a true Muslim, therefore, all aspects of life have to be conducted in accordance with the rules of Islam. Further, all aspects of the Muslim state have to be conducted to Islamic principles, and it is the duty of all Muslims to oppose this if that is not the case (McKee *et al.*, 1999, see also chapter four). Nevertheless, Arab/Islamic societies have not been able to employ their Islamic beliefs to many aspects of their daily lives. The Western colonial and imperial experience after the fall of the Ottoman Empire have endangered, threatened and replaced Muslims beliefs and values. The colonial and imperial influence on the Arab world has resulted in the dominance of secular and Western political and economic ideologies to Islamic ones. None of the Arab states apply Islamic rules to all their political and economic activities. Nevertheless, while the governments of many Arab states are not fully following Islamic values, they still claim to be Islamic states (McKee *et al.*, 1999). Muslims, as a result, have sensed the contradiction between what their governments are practising and what they are claiming to be, which drove them in return to distance themselves from their governments and in the case of some Muslims seek Islamist organisations (McKee *et al.*, 1999).



## 5.5 History of Western Colonialism and Imperialism in the Arab Middle East

From the above, at the end of the 19<sup>th</sup> century nearly all of the major political units of Islam were under some form of European control (Cleveland, 1994). As the Ottoman troops began laying down their weapons, the Allies were in full control of the disposal of Ottoman territory.<sup>67</sup> Whereas previously the Arabs had been inhabitants of Ottoman provinces, they now had to forge new identities as Syrians, Iraqis and Palestinians. This represented a major change from Ottomanism (Hourani, 1991). The decisions reached at the San Remo Conference<sup>68</sup> detached the Arab provinces from Ottoman authority and apportioned them between Britain and France. The former provinces were divided into entities called mandates.<sup>69</sup> Britain received the mandates for Iraq and Palestine and retained control of Egypt, France the Mandate for Syria. The other Arab state over which Britain exercised direct influence, Transjordan, did not exist at the time the Treaty of Sevres was drawn up. The hasty creation of Transjordan was a result of the manner in which France took control of its Syrian mandate. Britain also controlled Iraq<sup>70</sup> to enhance its position in the Persian-Arabian Gulf, secure access to India and gain access to petroleum resources (Europa Regional Surveys of the World, 2003). Following the peace settlement and the establishment of the mandates, the Middle East became a much more complicated area and a new regional state system came into existence. Therefore, borders between the independent Arab states that we know today are artificial and are the creation of the Western coloniser. Arabs consider themselves to

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<sup>67</sup> Early Western influence on the Arab Middle East area manifested way before the end of WWI through trade, protection of religious minorities and cultural and educational efforts of missions and schools (Europa Regional Surveys of the World, 2003).

<sup>68</sup> In January 1919, representatives from 27 nations gathered in Paris to construct a peace settlement that they hoped would eliminate the possibility of future wars. For most of the delegates, European issues had the highest priority, and during the year 1919 four separate treaties between the allies and Germany, Austria, Hungary and Bulgaria were drawn up and signed. The formulation of a post-war settlement for the Middle East, however, required a longer period of negotiations and involved the Allies in frequent disputes among themselves. Terms of an Ottoman settlement were finally agreed upon at the San Remo Conference (April 1920) and incorporated into the Treaty of Sevres, which the Ottoman government reluctantly signed on August 10, 1920 (Cleveland, 1994; see also Lapidus, 1988).

<sup>69</sup> Mandates, according to the League of Nations, 'were inhabited by peoples not yet able to stand by themselves under the strenuous conditions of the modern world'. They were therefore to be placed under the tutelage of the 'advanced nations' which would assist them 'until such time as they are able to stand alone'. It was thus the responsibility of the mandatory powers to prepare their regions for self-government. By phrasing the matter in this way the league attempted to gloss over the fact that mandated were simply another name for imperial control, repacked to give the appearance of self-determination. The mandate system provided Britain and France with an opportunity to secure their strategic interests in the Middle East while paying lip service to the widely publicised principle of self-determination. However, the mandate system differed from pre-war imperialism in that the mandatory power was responsible for preparing its charges for self-government and was thus bound to terminate its control at the unspecified time (Cleveland, 1994).

<sup>70</sup> Iraq was a completely new state created out of the three Ottoman provinces of Basra, Baghdad and Mousel, that had little in common (Cleveland, 1994; Ali, 2003).



a have a common history, religion, language and continued geography, which tie them up in a common destiny (Hourani, 1991). This notion has driven Arabs/Muslims to resist colonialism and imperialism on the grounds of pan-Arabism and pan-Islamism (see section 5.6.1.1) that they perceived to be threatened by Western colonialism.

The new Arab states that were established after the agreement ostensibly had their own domestic and foreign policy: the policies of most of these new states were determined by European occupiers (Hourani, 1991). All nine countries in this study have been subject to Western control and influence. Egypt, the largest country in the study, has been subjected over the years to various foreign invasions and occupations.<sup>71</sup> The British occupation of Egypt, however, produced one of the most significant colonial encounters of the modern era. It shaped Egypt's economic development for several decades, it had an impact on the formation of the country's political leadership, and it became the focus of an anti-imperialist and nationalist movement that impacted upon Egyptian (and British) politics for the first half of the 20<sup>th</sup> century (Cleveland, 1994).<sup>72</sup> Britain, after facing strong resistance in Egypt,<sup>73</sup> issued a declaration of Egyptian independence in 1922. The declaration abolished the protectorate, proclaimed Egypt independent, and elevated the status of the Egyptian ruler to king. The declaration has, however, contained four restricting points that made a mockery of the term independence: the British government remained responsible for the security of imperial communication in Egypt, the defence of Egypt against foreign aggression interference, the protection of foreign interests and foreign minorities in Egypt. The British military presence in Egypt was thus assured and Egypt still did not control its own policy (Michell, 1988; Cleveland, 1994). In the early morning of July 23, 1952, a group of young military officers carried out a *coup d'état* and seized control of the king's government that was appointed by the British. After several months of negotiations, Egypt and Britain signed a treaty in 1954 providing for the evacuation of all British

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<sup>71</sup> Its location at the north-eastern corner of the African continent has given it a historical position as a land bridge between that continent and the East. The Suez Canal has been called the gateway to the markets of Asia and the Far East and Europe (Michell, 1988).

<sup>72</sup> Britain occupied Egypt in order to safeguard the Suez Canal, and, in the context of the imperial competition of the era, to prevent France from occupying it first (Cleveland, 1994; Michell, 1988).

<sup>73</sup> The Egyptian population, and during the British control over Egypt, suffered severe hardships, especially in the years 1914-1918. While Egypt was spared from becoming a battle ground during World War I, the British decision to make Egypt the launching point for both the Gallipoli and Syria campaigns meant that the material and human resources of the country were harnessed to the service of the Allied war effort. Farm animals and crops were requisitioned and thousands of *Fellahin* conscripted into a civilian labour corps and forced to accompany the British army in its invasion of Ottoman Syria. Egypt suffered hard from the effect of inflation and from shortage of basic consumer. Not to mention the anger that Egyptians felt for being forced to go to war with another Muslim country (Hourani, 1991).



troops from the Suez Canal base within 20 months (Cleveland, 1994). While conflicts between Egypt and the West continued to occur (such as the 1956 crisis), 1954 marked the end of the British physical colonial conquest era in Egypt.

The British colonial influence on Egypt (1882-1954) has had a long and lasting influence on the entire Arab world. The way in which the British shaped the largest and most populated Arab country's economic, political and education systems has been influential throughout the Arab world. Egyptian/British models have been emulated throughout the region, if not by the direct British influence, then by Egyptian experts working in the rest of the Arab world. Up until this day, Egypt is a focal point for Arab policies (Hourani, 1991; McKee *et al.*, 1999). Its adoption of open door and marketisation policies in the 1970s has formed a model for other Arab countries to follow suit. Western imperial influence on the Arab world, therefore, has not been limited to the direct colonial influence or relationship between on Arab country and the coloniser. Western influence has further expanded as a result of Arab Governments relation with each other as well, who perceived adopting these policies as beneficial to advance their interests on regional and global levels.

Jordan is a much smaller country than Egypt in the Middle East (see table 5.1). Transjordan, the old name for Jordan, had no previous existence as a political community.<sup>74</sup> With the creation of Transjordan, the apportionment of the Arab territories of the defeated Ottoman Empire was complete.<sup>75</sup> The Arab provinces, once part of the imperial whole, had been divided into a group of regional states administered by Britain and France (Cleveland, 1994; Magnarella, 1999). Accordingly, Transjordan was an artificial state created to accommodate the interests of a foreign power. As was the case of Egypt, British rule was indirect, but British interests were protected, the agreement reserved to the British resident the final word in such matters as foreign relations, the armed forces, the budget and all other essential government activities. In 1946, Transjordan was granted independence and its prince elevated to king. The awkward desert principality that had been created almost as an aftermath of the post-

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<sup>74</sup> During the late Ottoman period, Jordan was a neglected portion of the province of Syria, a desert region inhabited by Bedouin tribes over whom the Ottomans exercised little, if any, control. When Amman became the capital of this new British mandate in 1921, it was scarcely more than a large village with a population of between 2500 and 5000 (Magnarella, 1999).

<sup>75</sup> The British were worried about the French spread and influence south from Syria. Therefore, they set up an administration in Amman under British administrative guidance (Cleveland, 1994).



World War I settlement became, in the years following World War II, a prominent military and diplomatic force in the region (Hourani, 1991; Cleveland, 1994).

Saudi Arabia differs from any other Arab state in the study in that it was not subject to direct physical control from a Western imperial power. Saudi Arabia, however, has always co-operated closely with Great Britain in the past and the USA in recent history (Anderson, 2000).<sup>76</sup> In contrast to the British and French mandates of the other Arab countries in the study, the new state of Saudi Arabia<sup>77</sup> managed to achieve full independence during the interwar era (Cleveland, 1994). Today's image of Saudi Arabia as a nation awash with oil wealth does not apply to the interwar era. Ibn Saud<sup>78</sup> ruled over an impoverished kingdom whose main source of revenues was derived from the annual pilgrimage to Mecca (Abdeen and Yavas, 1985). Sustained oil exploration began only in 1933 when the government signed a concession agreement with Standard Oil of California, the future Arabian American Oil Company (ARAMCO). Oil was not discovered until the outbreak of World War II which delayed the development of Saudi petroleum industry until the late 1940s (Al-Rehaily, 1992). Despite its independence, Saudi Arabia had a very close relationship with and dependence on Britain and US Subsidies. The war years were terribly difficult for Saudi Arabia, as the number of persons making the annual pilgrimage to Mecca declined sharply, causing revenues to plunge. The British and Americans both provided support to Saudi Arabia during that period, being concerned with securing their interests in expanding oil concessions and gaining substantially beneficial agreements (Cleveland, 1994; Mangralla, 1999).

Unlike Saudi Arabia, the rest of the Gulf states were subject to a more direct British control. At the head of the Persian Gulf, tucked between Saudi Arabia and Iraq, lies the state of Kuwait, one of the wealthiest nations in the world during the 1970s and 1980s. The southern end of the Gulf is dominated by Oman, a large and geographically diverse country also rich in petroleum resources. In between these two states are several small desert principalities: Bahrain, Qatar, and the seven members of the UAE. Beneath the sands and seas of Saudi Arabia and these Gulf states lies 50% of the world's proven reserves of oil. Because of their petroleum resources, the states of the Gulf have been

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<sup>76</sup> During the Iran-Iraq war, large-scale military purchases were made from the USA, France and the UK, but military dependence has been chiefly upon the USA (Anderson, 2000).

<sup>77</sup> The state of Saudi Arabia currently projects to the outside world the image of puritanical Islamic regime. Furthermore, Saudi Arabia has a special meaning to Muslims all over the world. King Faysal decided not to issue a charter of rights, stating that Saudi Arabia has no need for a constitution because it has the Quran, which is the oldest and the most efficient constitution in the world (Cleveland, 1994).



transformed from local subsistence economies with marginal diplomatic status into enormously wealthy states with substantial international influence (Cleveland, 1994; Europa Regional Surveys of the World, 2003). This, however, was not the case in the interwar and post-World War II years. The states of the Arabian Peninsula were marginal to the main political and diplomatic issues that dominated the Middle East. They were impoverished, sparsely populated, and ruled by traditional monarchs. At this time, Great Britain was the dominant European power along the shores of the Arabian Peninsula (Robinson, 1982). Two compelling imperial concerns shaped British military strategy in the Persian-Arabian Gulf in this context. One was the ever-present imperative to defend the approaches to India, the second was the need to protect the oil fields of Iran (Cleveland, 1994).<sup>79</sup> Britain, in order to secure these interests, began establishing treaties with some of the Arab Sheikdoms in the Persian Gulf. Additional Sheikdoms were brought under British control as first Bahrain (1880), then Muscat (1891) and finally Kuwait (1899) signed treaties pledging not to deal with any foreign power except through Britain (Cleveland, 1994; Hourani, 1991). Most of the family dynasties that rule the Gulf States today were established in the mid 18th century. Their survival and their acquisition of power were facilitated by a combination of British imperialism, oil concession agreements, and the vast revenues that began in the post-world war II era. Treaties that Britain established with these states remained in effect, with modifications, until 1971, which secured Britain's dominance in the Gulf (Cleveland, 1994; Europa Regional Surveys of the World, 2003).

Syria is the only country in this study that came under the French, rather than the British, mandate. In July 1920, French forces entered Damascus and established the French Mandate on Syria under the auspices of the League of Nations (Europa Regional Surveys of the World, 2003). Despite the French imperial policy to weaken resistance in Syria, unrest and resistance continued and resulted in years of bloody confrontations. The French government in 1941 promised Syria independence. Nevertheless, it was only on April 17<sup>th</sup> 1946 that the French forces evacuated Syria (OBG, 2003).<sup>80</sup>

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<sup>78</sup> The Saudi state was shaped in the image of its dominant ruler, Ibn Saud (Cleveland, 1994).

<sup>79</sup> Oil that became very important to Britain with the conversion of the British navy from coal to oil fuel in 1912 (Cleveland, 1994).

<sup>80</sup> See Chapter Seven for further details on Syria.



## 5.6 The Colonial Aftermath (The Post-WWII Era)

### 5.6.1 *The Politics of the Arab Middle East*

For the Arab people who had lived through the Sultan's domains, the dismemberment of the Ottoman Empire marked more than just the end of a particular state; it also marked the end of a political, social, and religious order that had shaped their patterns of public behaviour for 400 years. The last years of the Ottoman Empire and during WWI, some Arab nationalists resisted the Ottoman presence and rule - on the grounds that the Turks are scarifying Arab lives and exhausting their resources to meet their own ends (see Holt, 1973). Prior to WWI, however, for Arab Muslims, the ties of Ummah were paramount and these ties were represented by Ottoman State. As long as loyalty to the empire appeared to be consistent with loyalty to the best interests of Islam, most Arab Muslims accepted the legitimacy of the Ottoman rule (Cleveland, 1994). Yet, this was not the case as far as the British and the French rule in the Arab Middle Eastern countries is concerned. Arab Muslims did not accept the legitimacy of the British/French rule and, for most of the interwar period, Arab political activities were primarily devoted to achieving independence from foreign control (Hourani, 1991). Resistance movements succeeded in the end, and just as WWI served to loosen the grip of the Ottoman Empire on its Arab province, so WWII hastened the end of Anglo-French dominance in the Middle East and led to the granting of official independence to all the major states of the region. Although neither Britain nor France surrendered its imperial aspirations easily or completely, they were so weakened by the war that they could no longer sustain the overseas commitments required for empires (Hourani, 1991; Cleveland, 1994).

#### 5.6.1.1 *Pan-Arabism and Pan-Islamism in the Arab Middle East*

While movements such as Pan-Arabism<sup>81</sup> and Pan-Islamism worked side-by-side in the fight for independence during the interwar period, these movements became competitive political movements after the independence of Arab states in the post WWII era (Cleveland, 1994; see also Cleveland, 1971).<sup>82</sup> Arab intellectuals argued for the

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<sup>81</sup> Pan-Arabism is a movement dedicated to the ideal of unifying all Arabs (Anderson, 2000).

<sup>82</sup> While the end of the WWII brought independence to the Middle East, these countries were shaken by the events of 1948 and the creation of a Jewish state in Palestine. This rendered the independence discredited and vulnerable and left the Arab nations with long lasting conflicts and wars.



unification of the separated Arab states into a single political entity. Thinkers such as Sati al Husri (Syria 1880-1968) argued that the Arabs constituted a nation and ought therefore to be united into a single state. For him, the fundamental criteria of nationhood were a shared language and a common history (Cleveland, 1971; 1994).<sup>83</sup> Pan-Arabism movements,<sup>84</sup> therefore, resulted in the domination of Republicanism and socialist governments among Arab countries, such as Egypt and Syria. Pan Arabism, in addition, incorporated the notion of non-alignment and anti-imperialism to its ideology (chapter seven provides more details of Pan-Arabism movement in Syria). Soon, however, the Arab nation began to doubt whether nationalist leaders who had adopted Western modifications to Islamic values could, even after independence, initiate the new Islamic golden age (Anderson, 2000).

In this type of environment, the defence of Islamic values against Europe and against the actions of local Europeanised politicians found a receptive audience. The success of the Muslim brotherhood in Egypt and the dissatisfaction voiced over Ibn Saud's triumph in Arabia are evidence of this renewed current Islamic awareness (Cleveland, 1994). The re-emergence of Islamic movements has resulted mainly from the inability of governments to provide adequately for the majority of their people, or to solve problems, such as the disparity between rich and poor. Islamic movements were also fuelled by the increasing repression of dissidents and from the encouragement of Western values in place of traditional culture (McKee *et al.*, 1999; Anderson, 2000). Furthermore, the catastrophic defeat of Arabs in the 1967 war resulted in that a new generation of Muslims has arisen, seeking solution to its problems through Islam (Anderson, 2000). This led Islamists to call for the return to Islamic Sharia and

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<sup>83</sup> Language is a key factor in Arab nationalism as - with the exception of a few minorities - the populations of the countries speak a common language, Arabic. Written Arabic has an even greater uniformity over space and time. This can be attributed to be the effect of the Quran which was revealed in Arabic (Anderson, 2000). However, nationalists, including Husri, refused to employ Islamic symbols in their call for unity, arguing that the Arabic language has existed before Islam and that all who spoke Arabic, whether they were Muslims or Christians, should have one loyalty to the Arab nation (Cleveland, 1971; 1994). The other key factor in any discussion of Pan-Arabism is territory. With the noted exception caused by the establishment of the state of Israel, the Arab world is continuous from East to West and North to South. Furthermore, it is well defined geographically (this is arguably what is interrupted by Israel) and enjoys, if not a homogenous, at least a basically similar climate and landscape throughout (Anderson, 2000).

<sup>84</sup> In the Arab world and over the post Second World War period, the dominant figure, forever associated with Pan-Arabism, was Jamal Abdel Nasser. Following the removal of King Farouk and the proclamation of the Republic of Egypt in June 1953, Nasser emerged as a key figure becoming President in 1954. Nasser added republicanism, socialism, non-alignment and anti-imperialism to the basic Pan-Arabism. However, the hope of the Arab world for a united nation faded after the short-lived United Arab Republic of Syria and Egypt, after Syria seceded from the union with Egypt. Military defeat in 1967 that dramatically reduced the authority of Nasser, who died in 1970 leaving a chaotic political, economic and social legacy to his successor (Cleveland, 1971).



teachings as an instrument through which political, economic and social demands could be met. Overall, the Islamic movement could be considered as a reaction against secular materialistic Western society and its increasing cultural influence over Muslim countries (Anderson, 2000).<sup>85</sup>

Nevertheless, the return to Islamic teachings and Sharia did not substantively materialise in reality in any of the Arab states (Anderson, 2000). The political structure of the Arab states remains as either an absolute monarchy, ruled by the same families appointed by the British during their rule in the area, such as the Gulf States and Jordan, or republics, governed by socialist parties, such as the cases of Syria and Egypt (see figure 5.1).<sup>86</sup> In both cases, the central government controls political and economic life in these countries.

Subsequently, from the above review of the Arab world's politics today it can be argued that while anti-colonial nationalism helped colonised countries freeing their lands from Western colonisation, postcolonial nationalism failed in gaining these countries total independence. Natives soon enough found they needed the West and that the idea of total independence was a nationalists fiction designed mainly to leaders who ran the new countries with a similar exploitive manner to the depart masters (Said, 1993). Memmi (1968, p.88), the Tunisian anti-colonial revolutionary and intellectual, tells us:

'And the day oppression ceases, the new man is supposed to emerge before our eyes immediately. Now, I do not like to say so, but I must, since decolonisation has demonstrated it: this is not the way it happens. The colonised lives for a long time before we see that really new man'. (Cited in Gandhi, 1998, p.6).

### ***5.6.2 The Economics of the Arab Middle East***

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<sup>85</sup> Despite the disappointing events towards a unified Arab nation, the feeling throughout the region remains Pan-Arab. Nevertheless, and in relation to the question of Palestine, and with the success of Islamic, rather than purely Arab groups it seems that the move towards Pan-Islamism is gaining more ground in the Arab, Middle Eastern countries (Anderson, 2000).

<sup>86</sup> During the 1960s Egypt, under Nasser, followed an economic policy of socialist planning. However, the wars with Israel in 1967 and 1973, and Nasser's death in 1970, heralded a major period of change in Egypt's economic relations, both with its Arab neighbours and with the superpowers. From 1973, great efforts were made to repair the war damage and the replacement of Nasser's socialist planning by an 'open door policy' (infitah) encouraged foreign investment (Europa Regional Surveys of the World, 2003).



Within the Middle East region, the two major resources are petroleum and agricultural land. All the countries in this study, with the exception of Jordan, export oil and oil products. In the six Gulf States, oil is the major export. Among these states only Bahrain has a significant range of non-oil exports (Anderson, 2000). As far as industry is concerned, the current position is that there is, throughout the region, a new outward-looking industrial strategy seen in the diversification of markets, the development of new projects, economic deregulation and the introduction of economic reforms. Industrial expansion in the region can be expected in the textile industries together with those producing intermediate oil and gas products, petroleum refining, petrochemicals, fertilisers and aluminium (Anderson, 2000; Europa Regional Surveys of the World, 2003; 2004).

#### 5.6.2.1 Agriculture

Two decades ago, with the exception of the main oil producing states, earnings from agriculture constituted the major source of foreign exchange. In countries like Egypt and Syria about three-quarter of export exchanges came from agriculture (Anderson, 2000). Today, however, food and related products have been reduced in importance in almost all of the Middle Eastern countries relative to petroleum and petroleum products and manufactured items. In Syria, food and live animals total only 16% of total exports.<sup>87</sup> In Egypt, cotton products are still important but they are second to crude oil and petroleum products (Anderson, 2000).<sup>88</sup> The major change, however, occurred in Jordan where there was a significant shift from 33.70% of the percentage of people active in agricultural land in 1970 to 4% in 2001 (Anderson, 2000; Europa Regional Surveys of the World, 2004).<sup>89</sup> In the Gulf Corporation Council states (GCC) there is a strong desire to increase the level of self-sufficiency. Nonetheless, most agricultural commodities need to be imported (Anderson, 2000; Europa Regional Surveys of the World, 2004).

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<sup>87</sup> However, the contribution of agriculture to GDP is the highest in Syria among countries in the study, amounting to 28% of GDP (Europa Regional Surveys of the World, 2004).

<sup>88</sup> Throughout the latter half of the nineteenth century and during the first three decades of the twentieth century, the Egyptian economy was said to have been exhibiting a classic Third World dependency syndrome, the essence of which was reliance in the export of a single, usually primary, commodity. In the case of Egypt the staple in question was cotton (McKee *et al.*, 1999).

<sup>89</sup> The Agricultural sector in Jordan was disturbed by two major factors: the loss of the relatively fertile West Bank to Israel in the 1967 war and the severe drought conditions in the area (Europa Regional Surveys of the World, 2004).

### 5.6.2.2 The Petroleum Industry

The contemporary global interest in the Middle East has focused upon the region for a variety of reasons but most obviously because of oil (Magnarella, 1999). The Gulf states, between them, own over 50% of the world's proven oil reserves. Oil was discovered in the Middle East at the beginning of the 20<sup>th</sup> century (Magnarella, 1999).<sup>90</sup> Every country in the world is affected by the oil industry, which makes oil the only truly global industry. Western economical growth depends heavily on oil production and therefore oil prices. This makes the West dependent on a commodity that is mostly produced outside its boundaries. The differences between areas of production and consumption<sup>91</sup> highlights the vulnerability and dependency of the West on oil imports, especially given from Middle Eastern states. This reveals the current importance and future enhanced importance of the Middle East in the oil industry, especially that oil from the Gulf states is the cheapest in the world to produce (Magnarella, 1999; Anderson, 2000). This analysis further indicates reasons behind the Western (especially the US) policies in the Middle East and its efforts to keep the area under its scope of control. The development of the oil industry in the Middle East was governed almost entirely by the international oil corporations, all of which were fully supported by their own governments: British, American, Dutch and French. The countries with oil resources may have been politically independent but they were denied any semblance of economic independence. All facets of production and marketing were controlled by the corporations and the countries with oil resources were discouraged from acquiring skills in the field or from showing any initiative (see Louis, 1984). Indeed, questionable methods were used to enforce the ascendancy. For instance the concession arrangement between Western oil companies and the Middle Eastern countries were drafted to give considerable control powers to oil companies and their home countries (Anderson, 2000). From the beginning of the Second World War until the foundation of OPEC in 1960 the situation gradually changed. As a result of negotiations and nationalisation, the power of multinationals and their home governments was reduced (Anderson, 2000).

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<sup>90</sup> The industry first achieved prominence, and the region first became geopolitically sensitive in 1911-1912 when the bunkering of Royal Naval Ships was changed from coal to oil (Anderson, 2000). Oil dominates world trade.

<sup>91</sup> The US consumes 24.9% of the world oil production, while having less than 5% of world proven oil reserves. In contrast the states of the Gulf are minor consumers of oil, while their oil reserves account for 60% of global oil reserves (1997 figures) (Anderson, 2000).



For countries of the GCC, oil has been critical in development. Economic strength in all of the six Gulf states is built upon oil resources (Europa Regional Surveys of the World, 2004). Consequently, economic and infrastructure development witnessed a rapid improvement. At the same time, large amounts were spent on education and social services. Agriculture and industry were greatly assisted by subsidies (Europa Regional Surveys of the World, 2003). Nonetheless, it should be noted that while oil has provided massive development opportunities, full potential has not yet been realised. Oil and natural gas production offer enormous benefits to the producing countries but dependence upon them seems likely to enhance the range of cleavages already apparent in their societies (Anderson, 2000). As far as the other three non-GCC countries in this study are concerned, Egypt is relatively the larger oil producer.<sup>92</sup> Syria and Jordan (Syria will be discussed in details in chapter 7), unlike their neighbours, are not blessed with the same large quantities of natural resources such as oil. Jordan is almost wholly dependent on imports of crude petroleum for its energy needs, having no significant resources of its own (Europa Regional Surveys of the World, 2004).

#### 5.6.2.3 The Manufacturing and services Industries

The textile industry is an important part of the production of industrial goods in countries like Egypt and Syria. The only other industry common to the same list of countries is food processing (McKee *et al.*, 1999; Anderson, 2000).<sup>93</sup> Textiles and food illustrate the obvious division between the countries of the region into: (a) those with long industrial histories and (b) those reliant almost totally upon oil. The former group may include petroleum among its industrial products but tends to have a diversified list (Europa Regional Surveys of the World, 2004).<sup>94</sup>

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<sup>92</sup> The oil and gas sector accounted for nearly 10% of Egypt's GDP in 1993/94. In that year, oil products accounted for more than 52% of total exports, however oil reserves are expected to last only 14 years at the current output of 860,000 barrels per day (McKee *et al.*, 1999).

<sup>93</sup> In Egypt the industrial sector produces a wide variety of goods including textiles, processed foods and beverages, building material, fertilisers, chemicals, vehicles, electrical products and engineering goods (McKee *et al.*, 1999). In Syria, the main manufacturing industries are state-owned and include those of food, sugar, textiles, chemicals, engineering, cement and building materials (Quilliam, 1999). As far as Jordan is concerned by 2000, according to the World Bank estimates, industry, including mining, manufacturing, construction and power, contributed 25% of GDP (Europa Regional Surveys of the World, 2004).

<sup>94</sup> The countries of the GCC are virtually limited to petroleum products, evaporate and cement. Industrial diversification among the major oil-producing countries has resulted from the desire to obtain maximum return for oil products. This has led to downstream production and to the use of surplus energy for other industries such as aluminium smelting and pharmaceuticals, building material, fertilisers and hydrocarbons- based industries, which is found in Bahrain, Qatar, Kuwait and UAE (Anderson, 2000; Europa Regional Surveys of the World, 2004).



Two countries in the sample have in particular developed services industries: Bahrain and UAE. Bahrain has 170 international and domestic financial institutions. As oil resources are finally exhausted this economic base is likely to expand (Anderson, 2000). In the UAE, Dubai has grown as a centre for regional trade particularly through its free-port area at Jebal Ali (Europa, 2003). Of particular relevance within the service industry sector is tourism. Tourism is vital for Egypt but, following the 1997 shooting in Luxor, tourism declined steeply. Like Egypt, Jordan has relatively inadequate tourist facilities, but has benefited from the peace with Israel. Syria has immense tourist potential but like so many of its neighbours requires peace and upgrading of facilities and infrastructure (Quilliam, 1999). In the countries of the GCC, tourism has, for a variety of reasons, been little developed (Europa Regional Surveys of the World, 2004).<sup>95</sup>

#### 5.6.2.4 Recent developments and economic reforms

In recent years, the Arab States of the Middle East have been moving away from central economic planning to the market economy and open door policies. Striving to participate in the global economy, Arab states are taking major steps in enhancing the private sector role in the economy, developing foreign business and economic liberalisation and, in many cases, privatisation programmes (see Europa Regional Surveys of the World, 2003; 2004). A number of Arab countries, such as Egypt and Jordan, have even undertaken International Monetary Fund (IMF) and World Bank development programmes for guidance on economic liberalisation.<sup>96</sup> Egypt became the first Arab nation<sup>97</sup> to experiment with economic liberalisation and privatisation. From the mid-1970s onwards, Egypt continued its movement away from policies of central planning and nationalisation and towards a more market-orientated economy. Under International Monetary Fund and World Bank auspices, privatisation and restructuring of some sectors of the economy, agriculture and tourism in particular, has been achieved (McKee *et al.*, 1999). This task was not very easy as it must be remembered that during the Nasser regime large segments of the nation's economy were nationalised (McKee *et*

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<sup>95</sup> The one oil-rich state in which efforts are made to encourage tourism is the UAE, particularly Dubai. The attractions are sand, sun and sea together with a relatively free society and tax-free shopping. Furthermore, there has been great expenditure upon the improvement of services and leisure facilities. In contrast, Oman, with a great deal to offer the cultural tourist, has been slow in developing the sector (Anderson, 2000; Europa Regional Surveys of the World, 2004).

<sup>96</sup> Due to a number of economic crises, Jordan had an agreement with the IMF in October 1991 by which Jordan was to adopt a seven-year economic reform programme (Europa Regional Surveys of the World, 2003).

<sup>97</sup> With the partial exception of Tunisia (McKee *et al.*, 1999).



*al.*, 1999).<sup>98</sup> The majority of Arab world countries followed Egypt's policies of marketisation and privatisation. Similarly, in Saudi Arabia and other GCC states, private sector investments are encouraged and recent development plans are giving priority to privatisation programmes, increasing the size of the workforce in the private sector and bringing about greater private sector participation in infrastructure and other development projects.<sup>99</sup> Syria is the last of the Arab states to bring about economic liberalisation and reforms, with these reforms accelerating after the death of late President Hafez Al-Assad and the succession of his son Bashar (see chapter seven).

Arab countries' orientation towards open market policies and their perceptions of a need to adopt these policies is significantly the result of neo-imperialism today. The new global order today, with its international organisations, is convincing postcolonial countries that growth and modernity are frustrated by the negative role of traditional culture in 'blocking' development (Hoogvelt, 1997). Modernisation and progress in practice came to be the convergence of less-developed societies to the Western model, whether politically (Western democracy), economically (capitalism and marketisation), socially (individualism) or culturally (secularisation) (Hoogvelt, 1997; Sadiki, 2003). Arab countries, such as the case with most postcolonial countries, were convinced or pressured by international policy makers to soften their political boundaries on the grounds that any thought of economic isolation seems more and more unrealistic (Volcker, 2000). Arab countries today are sacrificing nationalisation and central-economy policies they adopted after independence – which they adopted in order to protect their countries against imperialism and colonialism. They are doing so because they believe that they are going to be isolated if they do not integrate with the global

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<sup>98</sup> Following the collapse of world petroleum prices in 1986 and an increasingly heavy burden of debt-servicing, the Egyptian Government was forced to negotiate a US \$ 325m. stand by credit with the IMF in 1987. The IMF programme resulted in the introduction in February 1991 of new market-related currency exchange arrangements; trade liberalisation measures, under which most existing tariff and other barriers were to be phased out over three years; 60 state-owned enterprises that the Government sought to privatise (Europa Regional Surveys of the World, 2004). By January 1999, 119 public companies had, at least partly, come under private ownership. In mid-1999, however, the public sector still amounted to almost 70% of the GDP and the pace of privatisation had slowed appreciably. In October 2002, nonetheless, the government stressed the importance of privatisation as a means of generating economic growth (Europa Regional Surveys of the World, 2003).

<sup>99</sup> The Saudi government allocated funds to assist private firms in participating in important segments of the Saudi economy such as the supplying of electric power and the improving of water supply capabilities. Furthermore, in the 1990s, the Saudis have appeared to be somewhat more willing to develop foreign business and economic linkages, which resulted in the formation of the US-Saudi Arabia Business Council (McKee *et al.*, 1999). Similar liberalisation reforms are also witnessed in the other GCC states. They include the establishment of Development Banks and promotion and marketing offices to attract and encourage companies to establish a base in the region. They also include the gradual withdrawal of subsidies for public services; the ending of protectionism, privatisation, tax reductions and incentives (Europa Regional Surveys of the World, 2004).



economy. Most of these modernisation and open market policies, promoted to the Arab world by international governance organisations, are policies that are contributing to the protection of the West and Western MNCs interests (see Held and McGrew, 2002; Monbiot, 2001, 2003). Consequently, the celebration of independence for Arab countries marks the march of neo-colonialism in the guise of modernisation and development in an age of increasing globalisation and transnationalism (Bahri, 2000).

### ***5.6.3 Geopolitics and Society of the Arab Middle East***

For Anderson (2000), major geopolitical issues in the area relate to population growth and distribution, movements of refugees, food security and oil and water problems. Geopolitical issues also include Pan-Arabism, Pan-Islamism and issues of international boundaries that are associated with the majority of the conflicts in the area.

A number of elements have made the population issue of critical importance to the area. One element is the unequal distribution of people.<sup>100</sup> Another is the high rates of population growth, amounting in some regions to over 3% per annum (Anderson, 2000).<sup>101</sup> The rapid growth of population in countries like Syria, Egypt and Jordan for instance is generating a continuing need for and pressure on water and agricultural land and irrigation. It is also, as the case of Syria, resulting in increased unemployment problems (see chapter 7). The GCC states constitute a very young population. Up to 70% of the Saudi population, for example, is under twenty-five (Europa Regional Surveys of the World, 2004). Another related issue occurs in countries like the UAE, Qatar and the rest of the Gulf states, where expatriates outnumber the indigenous population (Anderson, 2000). In Bahrain and Kuwait for instance, some 45% of the population is non-national. In the UAE only 20% of the population are UAE citizens (Anderson, 2000). This has made the issue of education and nationalisation of the workforce a high priority to Gulf States' Governments (McKee et al., 1999).<sup>102</sup> The issue of states and people in the Middle East highlights two main problems. One is that

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<sup>100</sup> As far as population distribution is concerned, there are considerable areas, such as Rub al Khali of Arabia and the Saharan deserts of Egypt, where the population is non-existent or at most tiny in number. On the other hand, in other large and well watered areas such as river valleys, population densities are high, with the Nile valley of Egypt by far the most heavily populated (Anderson, 2000).

<sup>101</sup> As a result of census limitation, details of population in the Middle East are not always available (Anderson, 2000).

<sup>102</sup> The sixth National Development Plan in Saudi Arabia for instance was introduced in Saudi Arabia in 1995. The plan called for the further development of the technical skills of the Saudi populace and placed increasing emphasis on the role of the private sector (McKee et al., 1999). The plan called for relating



many states in the Middle East rely on foreign labour for their development, the numbers of foreigners in the work-force commonly outnumbering numbers of indigenous workers. The second point, and in the case of refugees and migrants, these foreign workers are rarely awarded full citizenship in their host country, which makes them highly insecure (McKee *et al.*, 1999; Anderson, 2000).<sup>103</sup>

The issue that is associated with the majority of the conflicts in the Middle East is the international boundary issue. In contemporary states, the maintenance of territorial integrity depends significantly upon the possession of clearly defined territorial boundaries (Anderson, 2000). Under international law, control of the state is essentially territorial. According to Islamic constitutional law, however, and since the primary purpose of government is to defend and protect the faith rather than the state, the basis of the Islamic state has been ideological rather than territorial, political or ethnic. Furthermore, it has envisaged that the entire Islamic World forms a single unit, the Umma, in which the precepts of the Sharia could be fulfilled. Thus, the Islamic State was concerned with community rather than territory. Thus, boundaries and boundary conflicts are issues that were alien to the Middle East before the beginning of the Western colonial period at the end of the nineteenth century (Hourani, 1991).

Following the Sykes-Picot Treaty (1916) and subsequent treaties, France and Britain redrew the political map, delimiting new boundaries, which often cut across existing social and economic divisions as new states were created. This process resulted in the legitimacy of the boundaries so constructed and therefore the state enclosed by them being open to question. Indeed, it is possible to argue that the divisions imposed were for the convenience of the delimiting powers, which set up and supported states ruled by local allies (Anderson, 2000). In the Middle East, and with regard to countries in the scope of this study, there remain several land boundaries that are unsettled and could be characterised as disputed. For instance there are up until this day unresolved boundary

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government loans and support to firms to the 'implementation of Saudisation commitments' (McKee *et al.*, 1999).

<sup>103</sup> Another problematic issue relating to the population question in the Middle East is the migration and refugees issue. The most significant migration into the Middle East is that of the Jews into Palestine in the late nineteenth century and in the twentieth century. This resulted in the departure of some 780,000 Palestinians - one of the effects of colonialism and the ill treatment of native people in general. By 1995, the number of Palestinian refugees, including their descendants, had approached 5.5 million (Anderson, 2000). In the Gulf States, and after the economic boom of the 1970s, the states attracted many Palestinians as well as 3.5 million Asian migrant workers from other Middle Eastern states. With the outbreak of the Gulf war in 1990, some 450,000 Asian workers were repatriated, giving rise to massive economic problems in their countries of origin (Anderson, 2000).



problems between Egypt and Sudan; Iraq and Kuwait; Oman and UAE; Qatar and Bahrain; UAE and Iran; Syria with Israel and Turkey (Anderson, 2000; Europa Regional Surveys of the World, 2004).

The above socio-political and economic contextual analysis of the focal countries aims at helping the study in better understanding the development and the regulatory framework of accounting in the nine countries, which the coming sections of the chapter will now turn to.

#### ***5.6.4 Accounting Context in the Nine Arab Countries***

##### ***5.6.4.1 The Western Influence and International Accounting Practices***

Samuels and Oliga (1982) suggest that most countries that have been under the Western colonial influence at one point in history have had little chance to evolve accounting systems which truly reflect the needs and circumstances of their own societies. This is because their existing systems are largely extensions of those of Western colonial powers that controlled or dominated them (Samuel and Oliga, 1982; Nobes; 1998). In this light, Samuels and Oliga (1982) argue that the benefits such systems, which are predominantly developed to suit the Western context, offer to the societies of the non-West are questionable. The influence of Western accounting systems, mainly UK and US, on the non-Western world is due to a number of factors. For instance, in a number of countries, the British influence is very long standing and almost all of the colonial territories under British rule will have had imposed upon them a British Companies Act with the associated reporting and auditing requirements. At the same time, British professional bodies have had a direct influence on the spread of the UK accounting system throughout the world as the status of professional accountant could only be attained by admission to one of British professional bodies. As a result, the British professional bodies have obtained large number of members and students from around the world. They have been able to study for the qualification of the Chartered Association of Certified Accountants or the Chartered Institute of Management Accountants offered by some of the British professional accounting bodies in overseas countries (Briston, 1978; 1990).

Many other factors have contributed to the spread of Anglo-Saxon accounting concepts. For instance, most of the major multinationals have been based in the UK or the US, and these have adopted the accounting systems of the home country for their overseas



subsidiaries and have trained local staff according to those systems. Furthermore, almost all of the large international firms of accountants are American or British and these have also trained local accountants to service the audits of multinational companies according to American and British concepts. Another factor has been the insistence by the World Bank and other international financial institutions upon the use of an international firm to audit many of the projects that they finance. Overseas aid has been another major contributory factor, where aid has often taken the form of exchanges of staff, provision of scholarships for local students and grants of textbooks. That so much aid has been provided by English-speaking countries, and subject to their conditions, has strongly influenced teachers towards British, American, Canadian, and Australian concepts. Finally, the spread of English as a second language in many countries has meant that British and American accounting texts and professional training programmes are being used in many developing countries (Briston, 1978; 1990; Samuels and Oliga, 1982; Hove, 1989).

An obvious example of the influence of Anglo-Saxon systems on international accounting practices has been the work of the International Accounting Standards Committee, IASC.<sup>104</sup> This committee was formed in 1973, with the stated aim of achieving greater comparability in the financial statements of companies from different countries, in order to facilitate the investment decisions of banks and other investors who were investing funds on an international basis. It was also asserted that one of the objectives of the Committee was to produce a set of accounting standards that could be adopted by 'developing countries' not having, according to IASC's presumption, the resources or the expertise to prepare standards of their own. The end result was that accounting standards and a conceptual framework developed by IASC have a major resemblance to and are mainly influenced by Western accounting systems (mainly UK

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<sup>104</sup> Attempts to harmonise standards at the international level began in 1966 when accountants from the United States, Canada and the United Kingdom formed the Accountants International Study Group (AISG). Subsequently, a group of nine countries, including the member countries of the AISG, constituted the IASC, the multinational accounting organisation that now includes 98 professional accounting associations from 74 countries. Also important in this process of international accounting standardisation has been the International Federation of Accountants (IFAC), an organisation that developed parallel to the IASC and currently has the same membership. Distinct from its twin institution, the IFAC has focused exclusively on the issuance of international guidelines which deal with auditing, ethics and accounting educational requirements (Rivera, 1989; Larson, 1997). The IASC, established in 1973 by the accounting bodies of nine countries: Australia, Canada, France, Germany, Japan, Mexico, the Netherlands, the United Kingdom and Ireland (jointly) and the United States. At present, IASC's board consists of a representative from each of the founding countries (Nair and Frank, n.d.; Larson, 1997.).



and US systems)<sup>105</sup> including in that IASC's tendency to take a very narrow view of the role of accounting, regarding it primarily as being financial reporting. It also regards the reporting obligation as being primarily directed towards the private sector and the providers of finance in this context, ignoring, in the meantime, the information needs of other parties such as the government, workers, or society at large. The IASC, in this sense, made the assumption that standards developed in such manner could be adapted to other countries, especially in the Third World (Rivera, 1989; Briston, 1990; Nobes, 1998).

Briston (1990) asserts that this wide spread of Western, in particular UK/US, accounting models in the non-Western world could be harmful to these countries. For a start, these countries have adopted accounting principles and systems of accountancy training that originally evolved to meet the needs of UK capitalism a century ago. Further, it must be borne in mind that a particular system evolved in a particular economic environment and that it may well need considerable adaptation to meet the needs of a particular country (Briston, 1990; Nobes, 1998). The Western accounting system mainly presupposes that the bulk of economic activity is carried out by companies financed by private shareholders and whose shares are listed in a local stock exchange. This, however, is not the case in most postcolonial, non-Western countries, where the bulk of investment is in public sector companies and, therefore, very different criteria of measurement and reporting need to be developed. For instance, many countries that were under the colonial influence of Western powers, after gaining their independence, moved to nationalism and a centrally planned economy, departing significantly from the Western economic and political systems. State-owned enterprises came to dominate large segments of many postcolonial economies (Maunder *et al.*, 1990). Samuels and Oliga (1982) argue that accountants cannot, therefore, ignore the requirements for economic decision making in respect of the different postcolonial environment with its information requirements that differ from those of shareholders and bankers in a Western context dominated by the private sector. There is also the likelihood in this respect that the political and economic system would be very different from those of the US and UK, so that the objective of economic management might well be different. In addition and particularly in the case of the Arab world, religion

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<sup>105</sup> Evidence of a strong dependent relationship between IASC's standards and the accounting principles (GAAP) issued in the US is provided in research studies that indicate that only the vast majority of IASC's standards are preceded by a US accounting pronouncement which dealt with the same subject matter and arrived in general at the same acceptable methods and procedures (see Rivera, 1989).



may have a significant influence upon financial and economic reporting, which is largely ignored in Western accountings, including IASs.

It is clear, therefore, that accounting in the UK and the US does not significantly satisfy the role that accounting should play in these non-Western societies, as it almost entirely concentrates upon the private enterprise sector, and even there, the emphasis has been upon financial accounting to the virtual exclusion of social accounting. Briston (1990) explains that an analysis of the predominant UK and US accounting and auditing standards demonstrates that they are concerned only with the problems of corporate financial reporting and the auditing of annual financial statements, while the information needs of managers, of the government administration sector, and of government planners are not regarded as the concern of accounting standards. Similarly, in the case of IASs, Rahman (1988, p365) explains that while the IASC claims itself to be the 'only' world-wide body setting accounting standards, it seems never to have thought of considering non-financial reporting as a possible candidate for its pronouncements. He elucidates that reasons behind this resistance is that according to the established value judgements of those Western capitalistic societies, any extension of corporate social responsibility and development of non-financial reporting is considered to be a radical 'left-wing' idea and constitute a political threat to the powerful vested interest groups. For Wallace (1990), financial statements that are predicated upon the standards of the IASC can be perceived as deficient for determining the extent of the contribution made by a reporting company to the social and economic development process in a country. Accordingly, Wallace (1990) stresses that the interests of government and society, especially in the case of non-Western postcolonial countries, should be given greater attention than at present in international accounting standards.

Such Western and capitalistic nature of IASs raises doubts over their 'international' character. Furthermore, the insistence of MNCs and international governance organisations, such as the World Bank, on promoting and demanding the use of IASs by non-Western, postcolonial countries also raises questions about the IASs' imperial role in the enhancement of the problematic neo-global order in the non-Western world. For instance, Annisette (2004) explains that the World Bank and the IMF institutional structures compel them to support a pro-capitalist development ideology (see also Monbiot, 2003). In this context, the role of the IMF and World Bank in promoting



'international accounting standards', Annisette (2004) argues, require an urgent critical enquiry into the role of these 'international' standards in a development context.

#### 5.6.4.2 Accounting in the focal Middle Eastern Countries

By the time they achieved their independence, the Arab countries of the Middle East, as in the case of many other non-Western countries that were at one time part of the British/French Empire, found themselves with a professional accounting body and companies legislation on the British (or French) models (Nobes, 1998). After independence, continued Western influence and control through, for instance, international organisations, foreign aid and the global economy, made it difficult for these countries to move away from these systems. Rather, the 'so-called' development programmes that these countries adhered to after their independence and the desire of these countries to participate in the global economy, which is predominantly controlled by Western interests and conditions, have contributed further to the continued influence of Western accounting models. In Egypt, the most populated country in the Arab world, and as a result of the British colonial influence from 1882 to 1956, the training of accountants, the organisation of the accounting profession, the law regulating companies, disclosure standards and the financial reporting practices were based on those of the United Kingdom (Samuel and Oliga, 1982). The Egyptian accounting system, developed in this manner, was passed to the Syrian one through the United Arab Republic (UAR)<sup>106</sup> and to Saudi Arabia and other Gulf states through Egyptian experts working there (Al-Rehaily, 1992). In the GCC States, the discovery of oil and the domination by Multinational Oil Companies of the economic environment in these countries (see section 5.6.2.3 of this chapter) resulted in the widespread influence of Anglo-Saxon practices. These Multinationals brought with them their own home country accounting practices. They were also audited by Multinational Accounting Firms, mainly from the US and UK, who on their part, contributed to the spread of Anglo-Saxon practices (McKee *et al.*, 1999). Another example of the spread of Western practices in the Arab world is the impact of Anglo-Saxon accounting education systems on countries of the Arab Middle East. In Saudi Arabia, for instance, the majority of Saudi faculty members with doctorates employed in Saudi Universities were trained in the United States. The non-Saudi faculty members were educated in England, Egypt and United States. The accounting systems, methods and techniques taught are orientated

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<sup>106</sup> Syria and Egypt formed a united state in 1958 under the leadership of president Jamal Abdel Nasser, the president of Egypt. The UAR lasted for three years (see chapter seven).



towards the accounting environments of the country in which the degree is obtained (Abdeen and Yavas, 1985).<sup>107</sup> Further, all accounting and auditing text books selected by Saudi Universities are of Egyptian and American origin. The reliance on foreign sources, Abdeen and Yavas (1985, p.169) explain, hinders the progress of an 'indigenous accounting education'.

In recent years, the continued influence of UK/US accounting on the focal Arab countries is evident in the adoption by most of these countries of the International Accounting Standards (IASs). Joshi and Ramadhan (2002) cite Choi *et al.* (1999) in claiming that IASs are adopted in different countries as a result of either international or political agreements or 'voluntarily compliance' (with professional encouragement). They explain that the wider acceptance of IASs, especially in the non-Western world, is due to a number of factors. These factors include the notion that IASs are used as an international benchmark and that the EU and other supernational bodies recognise them. Furthermore, many regulators and stock exchanges, such as those in London, Frankfurt, Rome, Hong Kong and Bangkok, accept financial statements that are prepared in accordance with IASs.<sup>108</sup> Joshi and Ramadhan (2002) suggest that many non-Western nations, including Arab ones, are trying to achieve harmonisation in reporting practices in conformity with that of Western countries.

In Egypt, the accounting profession perceived adopting IASs as an advantage. The perception was a response to or a result of the opening up policy and increased importance of international trade and business in business, along with the effects of the IMF and World Bank programmes on Egypt. The profession, furthermore, and after the introduction of the new stock exchange in Egypt, increased its collaboration with international audit firms and multinational business in the hope that an adoption of the same principles and practices of these international bodies would make things easier and would encourage further foreign investment to come to Egypt (Samuels and Oliga, 1982). Similarly, in Jordan, after the adoption of the privatisation programme advised

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<sup>107</sup> Accounting education programmes in these countries, furthermore, emphasise methods and procedures (bookkeeping aspects) rather than theory (Abdeen and Yavas, 1985).

<sup>108</sup> Research also shows that more than 56 out of 67 countries surveyed by the IASC in 1996 either used IASs as their national standards or based their national standards on IASs. Furthermore the International Organisation and Securities Commission (IOSCO), the IASC, the World Bank and the International Federation of Stock Exchanges believe that the adoption of IASs is appropriate for those they term developing countries. They argue that introducing IASs is often an improvement over the existing systems as they provide low set up and production costs for accounting information, add to international comparability, and attract internal investment (Joshi and Ramadhan, 2002).



by the IMF, Naser and Abu Baker (1999) argue that this implementation of the IMF programme encouraged the Jordanian professional accounting body (JACPA) to adopt IASs. In Bahrain, Oman and Kuwait, IASs are adopted as national standards (IFAD, 2000; IASB, 2001). While not having the IASs as a mandatory requirement, the accounting practices of other countries in the study are either inspired by the IASs or the US/UK standards. In Saudi Arabia, for instance, if the country does not have legislation enacted that would set accounting standards, financial statements are prepared using divergent methods and practices following US/UK or international standards (McKee *et al.*, 1999). Furthermore, in Saudi Arabia, auditors must in the majority of cases be members of a professional organisation in the UK or in the US (Islam, 2003). In countries such as Qatar and UAE, which do not have accounting principles or practice requirements stated in their legislation and do not have a recognised body to set and enforce audit and accounting standards, larger firms generally follow International Accounting Standards most of the time (McKee *et al.*, 1999). Figure 5.2 illustrates further the influence of the Western accounting model on accounting in the nine countries by highlighting the main accounting regulatory frameworks in each of the countries along with the accounting standards followed and/or generally accepted and reporting requirements of these countries.

Another boost for the use of International Accounting Standards in the Arab world came from the embracing of IASs by the Arab Society of Certified Accountants<sup>109</sup> and this body's concern to encourage their use. The Association, the importance of which is on the increase today as a result of increased regional business agreements among Arab countries (Hussain *et al.*, 2002), has devoted huge efforts to the translation of International Accounting and Auditing Standards into Arabic (Abd-Elsalam and Weetman, 2003).<sup>110</sup> The Arab Association, therefore, rather than embarking on developing accounting standards that would be suitable for the Arab world context, has embraced and encouraged Arab countries to adopt IASs. The Arab Association itself was established with the support and guidance of the British body, the Association of Certified Chartered Accountants (ACCA), with the stated purpose of '*...the organisation of professional Arabic language examinations in accordance with the highest international standards for qualifying Arab certified accountants. Pursuant to*

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<sup>109</sup> The Arab Society of Certified Accountants was established in London in 1984 as an Arab professional institution with an international character (ASCA, 2004). The ASCA includes members from the entire Arab world.

<sup>110</sup> The Arabic translation by ASCA is the only acceptable Arabic version recognised by the IASB (ASCA, 2004).



*this objective, ASCA sought and obtained the support and guidance of ACCA, one of the foremost accountancy bodies in the world with a long experience in conducting qualifying exams'* (IAPC, 1990). Annisette (2000) argues that such influence and dominance of British and Western based institutions such as ACCA on education and certification of professional accountants in former colonies have contributed to the subversion of the nationalistic goal of indigenoising accounting training in post colonies.

While the above examination of accounting regulations in the nine Arab states of the Middle East illustrates the significance of the Western influence on accounting regulations and practices in these countries, this Western Anglo-Saxon dominance is not complete. After independence, in the late 1950s, Egypt and Syria began a process of nationalisation in various economic sectors that led to a socialist era (Abd-Elsalam and Weetman, 2003; see chapter seven for an analysis of the influence of socialism on accounting practices in Syria). This era resulted in the development of a Unified Accounting System (UAS) in both Egypt, and, later, in Syria, which regulates accounting in the public sector in line with government planning. The UAS does not, however, give any guidance regarding the private sector and has hardly been reformed since its issuance.<sup>111</sup>

Another factor that has a significant influence on accounting practices in the Arab world is Islam.

#### 5.6.4.3 Islamic Influence on Accounting in the focal Arab States

The dominance of Western Anglo-American (secular) accounting system(s) did not flow unopposed. The dominance of such systems provoked the opposition of Muslims, who believe sincerely that a separation of religious and temporal affairs should not exist. These groups often called for an even stricter return to the fundamental teachings of Islam, as specified by Sharia, to cover all aspects of life, political, economic and social (Gambling *et al.*, 1991). The opposition resulted in Islamic groups (initially not governments) putting their efforts together for the development of Islamic accounting. The spread of Islamic banking during the past twenty years, motivated by the generally successful performance of these banks, has been a great, albeit largely unheralded,

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<sup>111</sup> The requirement and impact of the UAS on accounting in Syria will be discussed further in Chapter Seven.



success story (Pomeranz, 1997).<sup>112</sup> The efforts have also resulted in the introduction of the Accounting and Auditing Organisation of Islamic Financial Institutions (AAOIFI)<sup>113</sup>, which has so far drawn up 16 accounting standards, and more are in the pipeline (Islamiqdaily, 2001). Furthermore, governments in a number of Islamic countries are facing pressure to facilitate the development of Islamic finance and accounting standards (McKee *et al.*, 1999). Therefore, while the central political and business influence in the Middle East came from the US and UK, the main social and cultural influence continued to be Islam (Samuel and Oliga, 1982). Islamic banks exist in all GCC countries except Oman (Hussain *et al.*, 2002). In Saudi Arabia, despite the clear Western influence (and especially Anglo-Saxon one) on accounting regulations, the Islamic influence on Saudi business and accounting can best be seen through the imposition of Zakat and the prohibition of Riba (Al Rehaily, 1992).<sup>114</sup> The prohibition of interest influence on business in Saudi Arabia is in evidence through the existence of a number of financial institutions which provide short, as well as long, term loans to Saudi citizens without charging interest (Al-Rehaily, 1992). The other evidence of the Islamic influence on accounting in Saudi Arabia is the education system. Some key universities in Saudi Arabia include courses such as 'Zakat accounting' and 'Accounting systems in Islam' in their education programmes (Al-Rehaily, 1992). Furthermore, and since the expansion of Islamic banking systems within the Islamic world, many Saudi businesses conduct their business according to the Sharia where charging interest is prohibited. Islamic banks and businesses arrange financing with profit and loss sharing rather than interest paying contracts (McKee *et al.*, 1999).<sup>115</sup>

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<sup>112</sup> Assets of Islamic banks are estimated to range from 50 to 100 billion dollars. The annual growth rate is between 10 and 15 percent of the asset base (Pomeranz, 1997). The success of Islamic banks is driven by three considerations: (a) an Islamic investor should avoid association with industries prohibited to Muslims such as alcohol, gambling, pornography, meat packing (pork), weapons production and liquor; (b) an Islamic enterprise is to avoid getting interest (riba), along with gambling, and accordingly, restrictions exist on trading in debt securities and in futures and options; (c) many Muslim investors tend to be attracted to enterprises observing Islamic ethical moral standards (O'Sullivan, 1996, cited in Pomeranz, 1997).

<sup>113</sup> AAOIFI the Accounting and Auditing Organisation for Islamic Financial Institutions, based on the island state of Bahrain in the Persian Gulf, was founded in 1993. It has to date issued 16 accounting standards, covering areas such as the presentation of financial statements of Islamic banks and financial institutions, the treatment of provisions and reserves and the treatment of the contracts such as Mudarabah, murabaha, istisna and ijara (Drummond, 2001). AAOIFI has also issued statements on capital adequacy for Islamic banks and has just completed a series of exposure drafts on foreign currency transactions and foreign operations, the provisions and reserves of Islamic insurance companies and the auditing of Islamic financial institutions (Drummond, 2001).

<sup>114</sup> All enterprises must pay income tax or Zakat to the Directorate General of Zakat and Income tax. Saudi and GCC companies and individuals engaged in trade in Saudi Arabia should pay Zakat of 2.5 percent on taxable capital ([www.us-saudi-business.org](http://www.us-saudi-business.org))

<sup>115</sup> However, Saudi Arabia was cautious about the expansion of Islamic banks and refused to let Islamic banks mention their intentions to comply with Islamic laws in their charters. This is based on the assumption that including the word 'Islamic' might imply that all other banks were 'non-Islamic',



Another example is Bahrain, where AAOIFI standards became mandatory for Islamic financial institutions (Islamiqdaily, 2001).<sup>116</sup> Bahrain is also leading the competition as it anticipates its emergence as a new Islamic financial centre - Bahrain is now boasting eighteen Islamic financial institutions (Pomeranz, 1997; McKee *et al.*, 1999). Egypt, a country that is moving steadily towards a liberal economy, was the first Arab country to develop an Islamic bank. Furthermore, a number of Egyptian commercial banks can provide banking services that are consistent with Islamic Law (McKee *et al.*, 1999).

Despite this Islamic influence on accounting in many Arab states, none of their governments have developed any regulation or reporting requirements that would regulate reporting that is consistent with a substantive Islamic influence. The Western influence on accounting and reporting practices, therefore, remains the most dominant (see figure 5.2). Recent developments in the area in respect of market liberalisation and privatisation policies are enhancing the dominance of these Western practices.

#### 5.6.4.4 Corporate Social Responsibility and Social Accounting Initiatives in the Arab World.

The review of the way that accounting is regulated and developed in the nine Arab countries and the main factors influencing these developments indicates that none of the focal countries seems to have developed regulations demanding social disclosures that go beyond the economic and financial activities and objectives of the organisation required by the Western, especially Anglo-Saxon, accounting systems. None of the countries, furthermore, have attempted to incorporate particular social and religious requirements into these standards (see figure 5.2).

The first Middle East Corporate Social Responsibility Summit was held in Dubai (UAE) in April 2003. The Summit aimed at bringing 'together the region's business leaders, government officials and NGOs, to discuss the necessity and benefits of

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promoting demands to dissolve them (McKee *et al.*, 1999). However, Saudi Arabia hosts several of the world's most important institutions for research on Islamic banking and is considering the possibilities of using Islamic techniques to attract private investors for development projects, reducing foreign borrowing and deficit financing. Islamic scholars are also searching for solutions for the fundamental economic problems. In this endeavour, the Ulama (Islamic jurists) have been joined by other experts such as bankers, economists, lawyers and financiers (McKee *et al.*, 1999).

<sup>116</sup> Bahrain is the only country in the sample that made AAOIFI standards mandatory for Islamic financial institutions (Islamiqdaily, 2001).

implementing CSR as well as setting out a framework to do so'. The summit aimed also at examining 'the emerging liability and accountability issues through various standards and regulations and suggesting ways in which companies in the region can improve their social, ethical and environmental performance thereby increasing brand awareness, customer loyalty and employee retention' (IIRME, 2004). The Summit was sponsored by Shell, British American Tobacco and McDonalds. Key contributors included: Marks & Spencers; BT; Standard Chartered Bank; SustainAbility and GRI. There were few Arab companies or bodies attending compared to the large numbers of Western companies and Organisations (see IIRME, 2004). Contributors and speakers in the summit concentrated on promoting CSR to Arab companies and businesses on the grounds that CSR would enhance company's profitability, management control and image. One speaker explained to the audience:

'CSR is really a defensive mechanism for effective brand management...Without a strategy for ensuring consistency and accountability, companies are exposed to risks that can, at best, hurt their stock price and, at worst, result in years of litigation with hostile jurors.'  
(Simon Bryceson, an independent consultant, AMEINFO, 2004).

The Summit highlighted examples of best practices from companies such as Shell, British American Tobacco, Barclays and Kraft (see AMEINFO, 2004; IIRME, 2004). GRI Guidelines were part of the promoting process, with a number of sessions devoted to explaining the importance of this international initiative. Reporting according to the GRI Guidelines, the Summit concluded '*can have many benefits, such as generating pride and motivation amongst employees; enhancing trust and acceptance of the brand through displaying openness and transparency; and improving internal performance through the process of issue identification, performance measurement and communication*' (IIRME, 2004).

The summit did not seem to incorporate any mention of cultural particularism and the relationship between Islam and corporate social responsibility or social reporting. The concentration of the summit appears to be on the business case promoted in a business-led, Western voluntary manner. A manner similar to that explained in chapter two, where corporate social responsibility and social accounting are captured by management control objectives and mobilised to the enhancement of problematic capital interests. Such exclusion of Islamic and cultural particularism from the promotion of corporate social responsibility in the Arab world brings into question the imperial and Eurocentric



nature of these promotions. The exclusion of Islam, with its strong emphasis on social justice (see chapter four), raises doubts over the attempts of international organisations and MNCs to silence and displace Islamic principles from the global stage. Tinker (2004, p.452) explains that Islam, until recently, 'has managed to stand apart from capitalism, and has thus preserved some independence and identity'. This capacity to resist assimilation, Tinker (2004) explains, poses a special threat to capitalism, and thus its demonisation is predictable. Islam in Orientalists' discourse, therefore, is still presented largely as a threat to 'civilisations' rather than a contributor to the betterment of one.

**Figure 5.2 Accounting Regulations in the nine IAMECs**

Country	Regulating Accounting	Accounting Standards	Reporting Requirements
<b>Bahrain</b>	<ul style="list-style-type: none"> <li>The Bahrain Society of Accountants is the professional accounting organisation in Bahrain.<sup>117</sup></li> </ul>	<ul style="list-style-type: none"> <li>By law, banks in Bahrain are required to conform to IASs (McKee <i>et al.</i>, 1999).<sup>118</sup></li> <li>IASs adopted as national standards in Bahrain in 1994 in the absence of other local standards (Joshi and Ramadhan, 2002; IFAC,2000; IASB, 2001).<sup>119</sup></li> </ul>	<ul style="list-style-type: none"> <li>There are no statutory requirements that businesses in Bahrain keep books and records. In practice, businesses use accounting systems of their own choice and in the language of their own choice. English and Arabic are the usual languages (McKee <i>et al.</i>, 1999).</li> <li>In general, accounting and auditing in Bahraini companies depends upon the level of accounting sophistication of company managers and auditors. International Accounting Standards are followed by most large entities</li> </ul>

<sup>117</sup> It remains to be seen how effective the organisation will be in moving towards improvements in accounting and auditing (McKee *et al.*, 1999).

<sup>118</sup> Since 1992, the Bahrain Monetary Agency has required banks and other financial companies to adopt International Accounting Standards.

<sup>119</sup> In a research study carried out by Joshi and Ramadhan (2002) data collected from a questionnaire sent to 36 Bahraini companies, external auditors exerted the greatest influence on getting firms to adopt IASs.

			(McKee <i>et al.</i> , 1999).
<b>Egypt</b>	<ul style="list-style-type: none"> <li>• Egyptian companies are regulated by the companies department of the Ministry of Economy and Foreign Trade through Companies Law no: 159 of 1981, which contains rules, procedures and accounting and reporting requirements (McKee <i>et al.</i>, 1999).</li> <li>• Other accounting requirements are based on capital market law and regulations, Egyptian accounting standards of the Ministry of Finance and on regulations of the central bank (IFAC website).</li> <li>• Egyptian accounting standards are issued by the Egyptian society of Accountants and Auditors (ESAA).<sup>120</sup></li> </ul>	<ul style="list-style-type: none"> <li>• According to the capital market law (Law 95) all companies listed in Cairo Stock Exchange must follow IASs. Therefore, applying IASs is mandatory for all companies reporting to the capital market including investment companies.</li> <li>• Commencing in 1998, most other companies, including governmental owned enterprises, in Egypt are required to comply with Egyptian Accounting Standards which are in all material aspects, the same as IASs.</li> <li>• There is also a formal reference in the law to the use of IASs when there are no Egyptian requirements (IFAC website).</li> </ul>	<ul style="list-style-type: none"> <li>• As far as accounting information is concerned, Egyptian companies must keep proper records for all business transactions. A general ledger and an inventory ledger are required to be kept in Arabic (McKee <i>et al.</i>, 1999).</li> <li>• Financial statements include the balance sheet, income statement and the statement of changes in financial position. The statements must be prepared in Arabic and filed with both the Tax Department and the Companies Administration Department (McKee <i>et al.</i>, 1999).</li> </ul>
<b>Jordan</b>	<ul style="list-style-type: none"> <li>• Financial reporting practices in Jordan are derived from relevant laws and legislation such as the Companies Act No.1 of 1989 and from standards promulgated by the</li> </ul>	<ul style="list-style-type: none"> <li>• All listed companies on the Amman Financial Market (AFM) including domestic ones, must follow IAS (IASB, 2001).</li> </ul>	<ul style="list-style-type: none"> <li>• The legislation largely fails to give details and specifications of the financial reporting and disclosure required, nor does the Companies Act</li> </ul>

<sup>120</sup> These are basically Arabic versions of IAS. The preface to Egyptian accounting standards states: 'the Egyptian accounting standards (EAS) have been prepared to comply with the (IAS) issued by the international accounting standards committee (IASC) except for certain minor differences to adapt the standards to the Egyptian economic environment.' EAS have also been adopted as part of the uniform accounting system that forms the basis of financial reports prepared by governmental-owned enterprises (IFAC, 2001).



	IASB adopted in 1989 (Naser <i>et al.</i> , 1999) <sup>121</sup> .		<p>provide a list of specific accounting standards which could be regarded as acceptable.<sup>122</sup></p> <ul style="list-style-type: none"> <li>• Disclosure and listing requirements of the AFM are mainly concerned with shareholders and investors. In addition, they can be seen as lax, vague, and loose.<sup>123</sup></li> <li>• Corporate financial reporting practices are also affected by the IASB. In March 1989, the Board of Directors of the Jordanian Auditors Society decided, in its Ordinance No.54, that such standards must be followed by Jordanian public accountants during their examination of financial statements of JSCs (Jordan Stock Commissions), starting in December 1990 (Naser <i>et al.</i>, 1999).</li> </ul>
<b>Kuwait</b>		<ul style="list-style-type: none"> <li>• In accordance with the ministry order of 1990, IASs are adopted as</li> </ul>	<ul style="list-style-type: none"> <li>• Reporting requirements are in line with IASs.</li> </ul>

<sup>121</sup> Accounting and auditing practices in Jordan were without regulations until the early 1960s when the Auditing Profession Practice Law No.10 for the year 1961 was enacted (Naser and Abu Baker, 1999).

<sup>122</sup> Hence, the choice of accounting standards and techniques is entirely left to the discretion of the company's board of directors. It can be argued, therefore, that the legal basis to legitimisation of Jordanian accounting reporting and disclosure practices cannot afford a meaningful guide to practice due to the lack of comprehensiveness, specification, or completeness (Naser and Abu Baker, 1999). Through the development of the Companies Act and other related legislation no specific legal requirements exist as to the form and content of the financial statements. In general, presentations are similar to those in the United Kingdom and United States (Naser and Abu Baker, 1999).

<sup>123</sup> Unlike the US and UK stock markets, the AFM does not require the specific information normally deemed necessary for an efficient market. This might not be only due to the policy of the market of attracting large number of listed companies, but also to the low level of market activity (Naser and Abu Baker, 1999).

		national standards with explanatory material added (IASB, 2001).	
<b>Oman</b>	<ul style="list-style-type: none"> <li>The Sultani Decree 77 of 1986 which requires all companies in Oman (Listed and non-listed) to operate financial statements in accordance with IASs. The IASs therefore, are used as national standards with little explanatory material added (IFAC, 2000; Nobes, 1998).</li> </ul>	<ul style="list-style-type: none"> <li>In Oman, IASs are mandatory.</li> </ul>	<ul style="list-style-type: none"> <li>Reporting requirements are in line with IASs.</li> </ul>
<b>Qatar</b>	<ul style="list-style-type: none"> <li>The Commercial Companies Law governs Qatar corporations.</li> <li>There are no government or professional bodies that have the responsibility to formulate accounting and auditing practices.</li> </ul>	<ul style="list-style-type: none"> <li>No accounting principles or practice requirements are stated in Qatar legislation.</li> </ul>	<ul style="list-style-type: none"> <li>The form and content of financial statements is not addressed. Legally, corporations, limited liability companies, and partnerships limited shares must produce a balance sheet and income statement (McKee <i>et al.</i>, 1999).</li> <li>Corporate accounting records and books must be kept, but specific guidance is not provided for financial reports. Books of account may be prepared in any language. English and Arabic are the most commonly used (McKee <i>et al.</i>, 1999).</li> <li>Income tax laws require all businesses to keep a general ledger, an inventory book, subsidiary records required, and all supporting documents. In practice, only business</li> </ul>



			<p>entities that have partial or complete foreign ownership are taxed and therefore only they are legally required to keep books of accounts.<sup>124</sup></p>
<p><b>Saudi Arabia</b></p>	<ul style="list-style-type: none"> <li>The Ministry of Commerce controls the accounting profession in Saudi Arabia. To guide the profession the Ministry has issued the Saudi Arabian Auditing Standards and the Saudi Arabian Standards of General Presentation and Disclosure. The Saudi Arabian Monetary Agency has issued additional accounting standards for banks.<sup>125</sup></li> </ul>	<ul style="list-style-type: none"> <li>The financial accounting concepts and objectives approved as a basis for accounting standards by the Ministry of Commerce Decision 692, 11 November 1986, are similar to those issued by the American Institute of Certified Public Accountants. However, these have not been monitored or enforced.</li> <li>Business entities follow US, UK or international standards in general, but with many important differences.</li> <li>New accounting standards are under development by a technical committee of the Saudi Accounting Association in close co-operation with the Ministry of Commerce (86) (McKee <i>et al.</i>,</li> </ul>	<ul style="list-style-type: none"> <li>The financial accounting concepts and objectives approved as a basis for accounting standards, by the Ministry of Commerce Decision 692, 11 November 1986, are similar to those issued by the American Institute of Certified Public Accountants. However, these have not been monitored or enforced.</li> <li>The standards for presentation and disclosure, however, generally follow international accounting standards (UsS-Saudi, 2001).</li> </ul>

<sup>124</sup> Foreign investors are responsible to pay the correct amount of corporate income tax on business in Qatar. Qatar does not levy personal taxes, value added taxes or sales taxes (McKee *et al.*, 1999).

<sup>125</sup> Until 1999, Saudi Arabia had not created or appointed an organisation or government body to be recognised as promulgators of accounting standards and practices. Nor has legislation been enacted that would set such standards. The effect is that financial statements are prepared using divergent methods and practices. Business entities follow US, UK or international standards in general, which means that comparability has not been achieved (McKee *et al.*, 1999).

		1999).	
<b>Syria</b>	<ul style="list-style-type: none"> <li>• Syrian companies are regulated by the Companies Act of 1947.</li> <li>• The Syrian accounting profession was established in 1956 but at the moment is not effective and is considered weak.<sup>126</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Governmental institutions follow the Unified Accounting System.</li> <li>• There is no set of accounting standards to be mainly followed in Syria by the private sector. The acceptable accounting standards, however, are very similar to IASs</li> </ul>	<ul style="list-style-type: none"> <li>• Companies Act requires the basic financial statements of companies but there are no detailed reporting requirements.</li> </ul>
<b>UAE</b>	<ul style="list-style-type: none"> <li>• Business operating in the UAE must adhere to federal rules and the local rules of each emirate. Regulations applicable to all emirates are contained in the federal commercial companies law, Federal Law 8 of 1984 as amended by federal law 13 of 1988 (McKee <i>et al.</i>, 1999).</li> <li>• The UAE has not constituted either a body to set and enforce audit standards, nor a body to formulate and oversee generally accepted principles in the UAE.</li> </ul>	<ul style="list-style-type: none"> <li>• The larger accounting firms generally follow International Accounting Standards.</li> </ul>	<ul style="list-style-type: none"> <li>• All the businesses recognised under the Federal Commercial Companies Law must maintain accounting records that are appropriate for the scale and nature of the business. Such records of account with supporting documents must be kept for at least five years. The records must show the financial position of the business, and by law, must include a journal and a general ledger (McKee <i>et al.</i>, 1999).</li> <li>• The Companies Law requires only the preparation of the balance sheet and profit and loss accounts without setting out further details. The law does not include the concept of consolidated</li> </ul>

<sup>126</sup> Accounting in Syria will be discussed in detail in Chapter 7.



			<p>financial statements with the result that statements prepared for statutory purposes must be on an individual company basis (McKee <i>et al.</i>, 1999).</p> <p>The banking system, however, is well developed and more heavily supervised. UAE Central Bank Circular No. 445 sets out the format and disclosures that must be made in bank financial statements (McKee <i>et al.</i>, 1999). Furthermore, a Federal Law was passed in the UAE in February 1999 that requires all banks and financial institutions to prepare their financial statements using IASs (IASC website).</p>
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## 5.7 Discussion and Conclusion

Chapter five highlighted key social, political and economic factors that actually and potentially impact on accounting/social accounting regulations and practices (or non-practices) in the nine Arab countries in this study. The chapter demonstrated the geopolitical importance and characteristics of Arab countries in the Middle East, indicating common, as well as key particular characteristics of each of the focal countries. The chapter focused in some detail on the importance of the historical influence of both Islam and the West on the political, social and economic aspects of Arab Middle Eastern people's lives, including accounting regulation and accounting practices. All Arab countries in the Middle East, by the end of WWI found themselves under some form of European control. The Arab world was divided into entities called mandates. The management of these mandates was apportioned between Britain and France (as the case for countries in this study). Political and economic policies of most of these new states were determined by their European occupiers (Hourani, 1991; Cleveland, 1994). The colonial encounter in these countries shaped many of the Arab world's political and economic conditions. This, in turn, had a direct impact on

accounting regulation and accounting practices in these countries. Arab countries by the time they achieved their independence, found themselves with a professional accounting body and companies legislation on the British (or French) models. In Egypt, the largest country in the Arab world, training of accountants, the organisation of the accounting profession, the law regulating companies disclosure standards and the financial reporting practices were based on those of the United Kingdom (Samuels and Oliga, 1982). Economic and trade relationships and the exchange of experts among Arab countries have also contributed to enhancing the spread of the British model. For instance, Egyptian experts working in the GCC states have had a major role in setting the legal, educational and regulatory systems in these countries, using their own country's systems as a model. In this sense, as Chua and Poallos (2002) argue, the mutual and joint impact of a number of colonial arenas on each other and on the imperial centre contributed to the construction of an imperial accounting in these colonies after independence.

After these countries gained their independence, and despite the orientation of some of them towards socialism and republicanism, Western imperial influence continued to influence the political and economic environment in these countries. For instance, most of the family dynasties that are ruling the Gulf States up to this day derive their survival and acquisition of power from Western support and oil concession agreements with Western companies (Ali, 2003). The development of the oil industry in the region, which constitutes the main source of revenue for almost all countries in this study, was almost entirely governed by international oil operations that are fully supported by their governments (Anderson, 2000). In recent years, many, if not all, of Arab countries gave up their nationalisation policies that had been adopted after independence mainly for the purpose of defending their countries and autonomy against Western imperial interference. In many instances, they found it necessary to move away from central economic planning to a market economy and open door policy, in order to take part and survive in the global economy. All Arab countries in this study have taken major steps in enhancing the private sector and the role of foreign capital in the economy, encouraged, sometimes, by the IMF and World Bank development programmes and guidance. Therefore, Arab countries are today as dependent on the West as they were before independence.



The Anglo-Saxon accounting model, as chapter five demonstrated, has accompanied and been part of this political and economic Western hegemony and influence in the area. Accounting education, as seen in this chapter, has played a major role in sustaining that influence. Many Arab states, especially GCC states, require their auditors to have a professional qualification from the UK or US (Islam, 2003). Furthermore, recent orientation of all the Arab countries in this study towards the market economy, and the adherence to some of them to the World Bank and IMF programmes, was accompanied by the adoption of IASs. As a result, accounting regulation and practices in the Arab world are dominated and largely influenced by the Western, especially Anglo-Saxon, models. Therefore, accounting models that were developed and mobilised to serve capitalism, secularism and imperialism are now dominant in Arab societies that are predominantly Islamic and predominantly, so far, run a state controlled economy. The Anglo-Saxon accounting systems, in the form they are promoted to the Arab world, as discussed in chapters two, three and five, give little attention to social, environmental and religious considerations. On the contrary, as chapter two and three demonstrated, they are largely mobilised to enforce capitalistic policies, which could result in social injustice and increasing power asymmetry in society. Rahman *et al.* (2004), in the same vein, maintain that accounting systems imposed by international organisations on 'developing' countries suit external foreign investors and aim to sustain hegemonic acceptance of global, free market ideology that significantly contradict social and environmental objectives. Furthermore, as this chapter illustrated, the accounting regulatory framework in the Arab world, which is built on the Anglo-Saxon model, is weak and represents a distorted version of the Western one. Chapter five highlighted how in some Arab countries, the Companies Act and the accounting regulatory framework introduced during the colonial period are still in use with little updating until today. Furthermore, even when a country is adopting IASs, it fails to enforce them fully or adapt them to the countries' own needs as a result of the weak regulatory framework and the weak accounting profession (Nobes, 1998). The end result is an inadequate and weak disclosure and reporting system. The combination of this weak regulatory and reporting framework in the Arab world, with open market policies and privatisation measures that are being introduced, could prove to be a recipe for crisis similar to the one that manifested in East Asia in the late 1990s (see Rahman, 1999). In addition, the way that IASs ignore non-financial, social and religious considerations relevant to Arab societies is depriving the Arab world from the opportunity to critically evaluate the social impact of the private capital they are eager (or pressured) to attract. The



overwhelming Western influence on IASs is also making it difficult to mingle them with particular and significant social aspects of the Arab world such as the Islamic Sharia (Hussain *et al.*, 2002).

As the case with IASs, CSR and social accounting and reporting, including the GRI, are promoted to the Arab Middle East in a Western capitalistic guise: as a straight-forward, voluntary, business-led activities. Little time was spent to reflect on the Arab and Islamic context in promoting social responsibility and social reporting to Arab companies. The first summit for promoting CSR in the Arab world ignored completely the history of the concept and its relevance to Arab culture and religion (see chapter four). Promoting social accounting and reporting in the above fashion comes with it the danger that the concepts, as in the Western context, will be captured by managerialist control and the principle of enhanced shareholder value (see chapter three). Social accounting and reporting would consequently fall short of the radical and emancipatory potential that would challenge the status quo and enable the betterment of Arab societies.

This strong influence of Western accounting practices and education on Arab countries have helped to generalise the concept of Western accounting to become the norm everywhere, within the west and outside it, ignoring in the meanwhile the notion that this accounting may not necessarily meet the particular needs and culture of the Arab world. Chapter four, for example, demonstrated how Islam, which shapes a large part of people's culture and activities in the Arab world, requires a form of accounting and reporting that is not necessarily satisfied by Western accounting systems. The way that accounting has been developed in the Arab world, therefore, is part of an insensitive Eurocentric process, whereby European concepts are seen as dynamic, elastic and superior. It is as if these concepts, then, deserve to dominate and be taught to the 'inferior' non-Western, as they are connected and supplied by the prevailing culture and political norms of the superior West. The way that IASs, which are widely adopted in all countries in this study, are developed could be considered as a continuous process of insensitive Eurocentrism and Western superiority in accounting harmonisation. The IASB as an international organisation is predominantly a Western organisation with a board of directors that represent Western and advanced countries. IASB board members are mainly from Western industrialised capital market economies, and are predominantly North American, British and Australian experts. Most of the



appointments reinforce the perspective of the larger companies from developed economies (Accountancy, 2002).<sup>127</sup> In addition, standards developed by IASB (previously IASC) are similar, if not the same, as standards followed in mainly US and UK.

By the same token, the GRI, which is currently being promoted in the Arab world by, mainly, Western corporations, is a predominantly Western initiative that constitutes a high business representation and involvement (Gallhofer and Haslam, 2003) (see chapter three). In this fashion, global social accounting initiatives and the standardisation of social accounting (as the case of accounting standards in general) constitute imperialistic tendencies in reflecting a problematic rather than legitimate world governance (see Annisette, 2000; Davie, 2000; Neu, 2000, 2001; Gallhofer and Haslam, 1991, 2003). These initiatives, similar to the traditional financial accountings they echo, have promoted a social accounting exhibiting a strong universalistic stance that displaces differences in terms of cultural values and privileges Western ways of doing instead. In addition, these initiatives by privileging particular Western values, deprive the international community from learning from particular 'other' cultures. These global initiatives, in other words, are part of and feed the type of universalism and globalisation where Western universalism threatens to swamp local valued particularism (Calhoun, 1995; Monbiot, 2001; Gallhofer and Haslam, 2003). Islam and Arab particular culture and values has been displaced nearly completely from these international accounting/social accounting projects. Tinker (2004) argues that hostility and exclusion of Islam's traditional values by capitalism (and international capitalistic initiatives for that matter) might be due to the enlightenment promise of these values. An enlightenment that is perceived to poses a special threat to capitalism.

Global or international accounting/social standards and initiatives, thus, as has been the case with all major international governance institutions, act as an advocate and agent to Western industrialised countries' national interests. Their existence continues because most Western states perceive it as being in their national interest (see chapter two for a discussion of the role of international governance institutions (see also Held and

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<sup>127</sup> A retired Citibank CEO has been named vice chairman. The other board members are the US Financial Accounting Standards board director, a PwC US member as a technical partner, a FASB board member, Professors from UK and US universities, members of the UK accounting standards board, a member of the Canadian standards board, a KPMG member and Daimler Chrysler chief accountant, Anglo American and Nestle senior accountants as well as a member of the Australian accounting research foundation (Accountancy, 2002).

McGrew, 2002). This is evident, for instance, in the weighted voting system in the IASB and the way that accounting standards are developed in line with these countries' needs and systems. The IASB and GRI, therefore, as a form of global institutions and mechanisms of international governance, are a primary product of Western capitalism and hegemony and can not be sustained without it. They are in this sense, part of the process of westernising the world order, where the West continues to present itself as the source of world's knowledge, technology and action. The regions of the non-West have no life, history or culture to speak of, no independence or integrity worth presenting without the West (Said, 1993). Eurocentric tendencies in developing global and international accounting standards, consequently, support a cultural discourse that relegate and confirm the non-European to a secondary racial, cultural and ontological status (Said, 1993). Universalising accounting practices is, therefore, similar to universality in any field whether sociology, classics or anthropology. It is Eurocentric in the extreme, as if other cultures and societies had either an inferior or transcended value (Said, 1993). In this regard, the particular culture and needs of the Arab societies are ignored in the process of setting international accounting/social accounting standards and initiatives that are often adopted as national standards in these countries.

Insights into the history of the Arab/Islamic world can provide inspiration for real universal global governance. The way that the Islamic civilisation incorporated accumulated practices that preceded it and abandoned Arab exclusiveness (see Kennedy, 1981; Hourani, 1991; Cleveland, 1994) provide a good example and a lesson on how an enlightened universalism is possible if bore interaction and hybridity among different cultures and traditions. International governance organisations today, including accounting ones, therefore, to be truly universal can begin to look for the non-West for inspiration and cooperation. They can begin to gain insights from them for better and more just global order, through communication and dialogue – rather than merely acting as principle agents for capital and powerful states' interests.



## **Chapter Six**

### **Social Reporting in a Selection of Arab Companies Annual Reports: Reporting on a Content Analysis**

#### **6.1 Introduction**

Chapter Six is concerned with reporting and critically analysing the research findings of the content analysis carried out in this study. Sixty-eight company's annual reports from the nine Arab countries were surveyed in order to critically assess the level, nature and quality of social reporting manifested in these annual reports. The first section of this chapter is concerned with outlining details regarding the specific use of the content analysis method in this study. It will commence with a brief introduction into the meaning and objectives of the content analysis research method for these purposes. This is followed by highlighting the main stages typically undertaken in any content analysis study, followed by an elaboration on the specific choices made in this study. The Chapter then moves to review and discuss the results of the content analysis of social reporting practices by the 68 companies in the sample. Social disclosures manifested in Arab companies' annual reports will be assessed according to four disclosure dimensions: 'economic'; 'environmental'; 'general social' and 'other social characteristics of the reports'. Detailed analysis of these disclosures with illustrations from the 68 annual reports will be presented. The chapter will conclude with theoretical reflections and contextual analysis of the results.

#### **6.2 Content Analysis**

As Gray *et al.*, (1995) suggest, content analysis, as a research method, has been widely used in the social accounting and corporate social reporting (CSR) literature (see, for instance, Ernst and Ernst, 1976; Guthrie and Mathews, 1985; Cowen *et al.*, 1987; Tinker and Neimark, 1987; Harte and Owen, 1991; Guthrie and Parker, 1990; Roberts, 1991; Adams *et al.*, 1995, 1998, 2000; Gray *et al.*, 1995 a,b; Buhr, 1998; Unerman, 1999, 2000; O'Dwyer, 1999; Campbell, 2000; Lodhia, 2000; Wilmshurst and Frost, 2000). Content analysis places narrative text, or other types of communication, into categories to facilitate analysis in order to derive conclusions about thematic content (Budd *et al.*, 1967, cited in Buhr, 1998; Krippendorff, 1980 cited in Unerman, 1999). Content analysis, as a result, has been deemed to be an appropriate research method for studying corporate annual reports in general and for Corporate Social Reporting

analysis in particular (Unerman, 1999). The method helps in structuring essentially unstructured documents in order to highlight matters that many stakeholders will not have necessarily been so consciously aware of (Hines, 1988 cited in Unerman, 1999) and can deal with large volumes of data (Unerman, 1999). The content analysis research method in this study is used to enable a critical assessment of the level, nature and quality of social reporting practices and manifestations in the annual reports of 68 companies from the nine focal Arab Middle Eastern Countries, namely: Saudi Arabia, Qatar, Bahrain, Oman, Kuwait, Syria, Jordan and Egypt (see appendix 1a,b). The critical assessment aims at exploring potentials and actualities of these manifestations to act as ‘emancipatory/radical’ or ‘repressive/counter radical’ forces in the societies of the nine Arab countries and aims at elaborating possible factors and reasons behind the level, nature and quality of disclosures in line with the contextual analysis of chapter Five. The assessment also aims at bringing insights from social reporting practices in these postcolonial Arab countries and giving a voice and value to their particular culture and needs. The content analysis carried out in this chapter, will, therefore, aid this study in envisioning a way forward for the betterment of social reporting practices in the nine Arab countries and beyond.

In what follows is an overview of the key stages that were undertaken to carry out the content analysis research of this study. The stages discussed are set mainly according to the guidance given in the Gray *et al.* (1995a) and Unerman (1999) papers.

### ***6.2.1 Defining, categorising: shared meaning and replication***

It is argued that any content analysis study must be ‘objective’, ‘systematic’, ‘reliable’ as well as ‘replicable’ i.e. at least so that the meanings given to the data may be reasonably ‘shared’ among researchers (Krippendorff, 1980, cited in O’Dwyer, 1999, p.226). In the case of a lone researcher, such as is the case in this current study, the replication condition will not be satisfied (O’Dwyer, 1999; Unerman, 1999). O’Dwyer (1999, p.226) explains:

‘Given that this study involves one researcher working alone, any attempt at developing a content analysis research instrument from scratch may have been deemed invalid as the lone researcher would have been unable to fulfil this criteria of replicability’ (O’Dwyer, 1999, p.226 [sic]).



A number of 'one researcher' studies (see, for instance, O'Dwyer, 1999, and, Unerman, 1999), in order to overcome this obstacle, have used an established form of the research instrument that meets the main criteria conditions of a good content analysis study.<sup>128</sup> This study, in constructing its research instrument, has also made use of a comprehensive set of content analysis studies and reporting initiatives developed in the field of Corporate Social Reporting (CSR). An amendment and revision process, however, was undertaken in order to adapt these studies to the Arab Middle Eastern context, as these studies were found somewhat lacking for the purpose of doing research on social disclosures by companies in a non-Western context.

For Gray *et al.*, (1995a), a prerequisite for any research is some definition of the thing to be researched. This definition, they explain, has to be precise and unique. They explain that:

'The 'objectivity' criterion requires that independent judges would be able to identify similarly what was and was not CSR, while the systematic criterion requires a set of exhaustive rules which will determine the category 'CSR' and the subcategories (if any) in a mutually exclusive and all-embracing manner... That is, what falls within the rules becomes CSR; that which falls outside is not CSR. Hence one ends up with a set of rules which define CSR'. (Gray *et al.*, 1995a, p.81).

The radical understanding given to what a radical social accounting should be in chapter three does not identify specifically what is and what is not a radical social accounting. The delineation suggests that a radical social accounting is an accounting that contributes to a 'radical critique' of the socio-political order, and contributes to the betterment of that order. Therefore, there are no objective limits to the forms that a radical accounting can take in different contexts. The delineation in chapter two highlighted a number of characteristics of social accounting in respect to its various contents, users, forms and purposes that would arguably contribute to the enhancement of the potential for a radical form of social accounting (see chapter two, sections 2.3-2.3.4). These characteristics will form the basis for defining and categorising social disclosures by the Arab companies in this study.

Categories of analysis or what are referred to as 'recording units' or sub-units are used to facilitate analysis of the content of each sampling unit (Unerman, 1999) (a sampling

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<sup>128</sup> O'Dwyer (1999) and Unerman (1999) have used the research instrument developed by CERES (The Centre for Social and Environmental Accounting Research) in 1995, and illustrated in the Gray *et al.*,



unit in this study is the annual report of the company). Gray *et al.* (1995a) note that categories of analysis used in a study should be derived by reference to shared meanings and that data collection and analysis must be replicable. Accordingly, and in the process of constructing a research database of social and environmental reporting by UK companies, Gray *et al.* (1995a) stress the importance of making their own definitions explicit, examine them carefully and then adjust them in line with what they perceive to be more mainstream definitions. The CSR content analysis literature, however, does not provide a clear reference to recording units (categories of analysis) (Unerman, 1999), with most studies basing their categories of analysis on the framework of either Ernst & Ernst (1976) or Guthrie and Mathews (1985) (Adams *et al.*, 1998 cited in O'Dwyer, 1999) or Gray *et al.*'s (1995a) study. Gray *et al.*'s (1995a) framework identified five major themes for categorising CSR in the mainstream social accounting literature. These themes concern the way that the 'natural environment'; 'employees'; 'community'; 'customers'; and 'others' are reported on. Given that social accounting literature in general and CSR in relation to countries in the Arab Middle East in particular are not very well developed, both deductive and inductive reasoning has been employed in this study in order to construct a research instrument within which social disclosure in the nine countries can be categorised for the purpose of this study. The result of this process is the research instrument shown in appendix 2.

Constructing the research instrument and developing definitions to identify each category (see appendix 2) required a test of reliability with the aim to better ensure shared meaning and replication. This started with the researcher conducting a reflective initial or pilot study on the initial deductive instrument to ensure that the categories 'felt right' and were 'workable' and that category definitions were not ambiguous and overlapping (O'Dwyer, 1999). The initial instrument was deemed insufficient and inadequate for analysing social reporting in the nine Arab countries, as there was information that was, from the researcher's perspective, clearly to do with social disclosure but that did not fall into the initial research instrument's categories. This initial instrument failed to capture the trends and particular nature of social reporting by Arab companies. As a result of this reflection, the categories were further refined based again on reflecting on the relevant literature, with, furthermore, a number of inductive categories being added after the review of the 68 annual reports. Indeed, what became the fourth dimension in the research instrument together with other Islamic and



national-specific or governmental-specific considerations to disclosure were the results of these pilot studies. The process was repeated several times on the same companies in order to come up with the four disclosure dimensions, and their underlying categories and sub-categories. The final categories produced, therefore, reflect the researcher's reading of the annual reports, context of the Arab Middle East and the relevant social and Islamic accounting literature. They are the researcher's own research instrument that she has used in order to structure essentially unstructured (from the perspective concern of this researcher) documents to highlight matters that could address the objectives of the study. The research instrument in appendix 2 contains four major disclosure dimensions aimed at facilitating the analysis of the level, nature and quality of social reporting by the 68 companies. These dimensions are the 'economic', 'environmental', 'general social' and 'other cultural characteristics of the reports'. Therefore, despite the researcher's attempts to meet what is deemed positive in the criteria elaborated for a good content analysis (objectivity, systematic, reliability and replicability), aspects of the method here were specific in drawing from interpretations of the Arab Middle Eastern context and practices.

The quality of social disclosures by the 68 Arab companies was assessed as follows. For instance, when any of the categories and subcategories manifested in disclosure, additional information was then collected including whether reporting was only concentrating on ostensibly neutral or positive information, or included some critical/negative information as well. In addition, it was recorded whether financial and qualitative information was provided and the level and sophistication of the information was commented upon. For example, it was noted whether financial information concerned only conventional financial data such as investments and provisions, contingent liabilities, fines and financial savings or included more socially inclined reporting such as value added statements, environmental balance sheets, full cost analysis, or advanced sustainability reporting like Life Cycle Analysis (LCA). Other measures to determine the quality of social disclosures included a search for evidence of independent verification or stakeholders' engagement and feedback mechanisms. Furthermore, illustrations and citations taken from the annual reports are presented and analysed in order to better critically evaluate the level, nature and quality of disclosure by the 68 Arab companies. The assessment has also concentrated on what social related issues are made visible and what are not.



All social disclosure considered in this study, with the exception of Zakat obligation disclosures required by Saudi companies, are non-mandatory 'voluntary' disclosure. Therefore, the final research instrument (appendix 2), contained no significant mandatory disclosure requirements for the period under exploration in any of the nine countries involved in the study.

### **6.2.2 Location of social disclosure**

As far as the choice of the sampling units is concerned, Gray *et al.* (1995a) explain that ideally, and in order to capture all CSR provided by an entity, all communications by an entity should be included. In other words, all forms of data reaching the public domain can be considered to be part of the accountability discharge activity, and thus, not only annual reports and dedicated employee and environmental reports but also advertising, house magazines and press units, to name a few, can be part of CSR. It is extremely difficult and virtually impossible, however, to be certain that one has identified all communications (as Gray *et al.*, 1995a, agree). Most CSR studies focused on one corporate document namely the Corporate Annual Report (CAR) as the sampling unit (Unerman, 1999). The focus on the CAR in CSR research could be due to a number of important characteristics of this corporate document. First, the CAR is a 'systematically produced' statutory and, at least partially, standardised document that it is known in advance should exist for each year studied - the latter point, allowing in turn, for year on year comparison (Gray *et al.*, 1995a; Unerman, 1999; Bebbington, n.d). Further, the document is the most widely distributed of all public documents and, therefore, the most accessible to researchers (Unerman, 1999; Campbell, 2000). Second, the Corporate Annual Report (CAR) is viewed by researchers as an important document that is used by the organisation to construct its own social imagery (Gray *et al.*, 1995a). Macintosh (1990) explained this idea further when stating that the annual report represents: '*...a permanent expression of those social issues which top management regard as important and wish to communicate to shareholders and the public, and so are a record of the entity's historical social consciousness*' (Macintosh, 1990, p.168, cited in Buhr, 1998, p.169). Tinker and Neimark (1987) go further to suggest that the social role of the CAR is not limited to reflecting the organisation's historical social consciousness, but also plays a part in forming the world-view or social ideology that fashions and legitimises particular social conditions and dimensions such as a woman's place in society.



The above characteristics combined have made the CAR a very interesting document for CSR researchers to study. There is a concern in the literature, however, regarding this nearly sole focus on CARs as the sampling unit. As such, the focus may result in representing an incomplete picture of disclosure practices by corporations, since companies do use a number of other reporting mediums (Roberts, 1991; Wilmshurst *et al.*, 2000). Furthermore, as discussed in Chapter Three, this emphasis in the CSR literature on formal accounts prepared by organisations is privileging these corporations, which prioritises/emphasises shareholders as agents of social change and somewhat ignores the role of the state and wider public sphere (Lehman, 1999).

This current study, while recognising the limitations of solely using CAR as the sampling unit, found that attempts to obtain other types of documents from the nine countries, including governmental documents or press releases, to be very difficult. This difficulty could be due to the context whereby Arab countries, after gaining their independence, moved to nationalisation and a centrally planned economy where the bulk of investment is in public sector companies. This sector is accountable to the Government and reporting, therefore, manifested in detailed reports made available to Governmental bodies at least ostensibly representative of the public interest. These reports, if they existed, are not available for direct public use.<sup>129</sup>

### **6.2.3 Measurement and data capture**

After determining the sampling unit and the research instrument, it is important to determine how to capture the social data presented in the annual report. The preferred units of analysis in written communications tend to be words, sentences and pages (Gray *et al.*, 1995a; Campbell, 2000).<sup>130</sup> This study attempts to capture the level, the nature and the quality of the social content of the text by analysing sentences (not counting them), in relation to the understanding of social accounting in this study, and later on allocating them to the suitable categories. In addition, the study aims at analysing the meanings of these disclosures and relating these meanings to the context

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<sup>129</sup> At least this is the case in Syria where the researcher put particular effort into getting access to these documents.

<sup>130</sup> Most studies tend to use one or a combination of words, sentences and pages. Number of pages as a measure of disclosure is often said to be problematic due to differences arising from such factors as size, margins and graphics, while the number of words causes difficulties due to variously concise or verbose styles of writing (Unnerman, 1999). Milne and Adler (1999, cited in Tilt, 2001) suggest that while most prior studies use words, paragraphs or pages to measure the social or environmental disclosure in a text, they actually use sentences to determine into which box or category the text should be classified.



analysis and 'basic context data'. This 'basic context data' in the mainstream CSR literature is mainly related to company size, profitability, ownership and industry sector (Gray *et al.*, 1995b). This study, however, goes beyond such limited factors to consider the main social, economic, political and environmental factors in Arab countries that may reasonably be taken to have an effect on corporate choice and the levels of social data disclosed (or not disclosed) in annual reports.

#### **6.2.4 Drawing the sample**

The choice of sample is dictated both by the specific objectives of the study and the more pragmatic consideration of data availability. Adams *et al.* (1998) explain that data availability and familiarity with language are particular concerns in any cross-country study (Adams *et al.*, 1998). In relation to this study, the difficulty of obtaining annual reports from companies within the nine Arab countries formed a major constraint to the study. The issue of language, however, did not impose any constraints as all focal countries used Arabic and the researcher is a native Arabic speaker.

A list of the FT's top 100 companies in the Middle East was obtained in May 2001. The researcher attempted to contact each of these companies that fell in the nine countries in the study, in order to request the most recent annual report. The response level was low. Consequently, the researcher tried to download and print the annual reports of the rest of the companies from the internet. The researcher, however, was not always able to find a website in respect of the companies in the top 100 list. Furthermore, not all the companies having a website included their reports on their website. In addition, the top 100 list did not include any companies from Egypt or Syria. The researcher, therefore, tried to obtain as many reports as she could from the nine countries in the sample, whether these were included in the FT top 100 list or not. Her efforts included visiting companies in Syria and requesting their annual reports and asking friends to collect annual reports. These reports should in principle be publicly available, but in practice it is difficult for non-residents to obtain them. The researcher's efforts yielded 68 annual reports from the nine Arab countries (see appendix 1a,b). All companies contacted were requested to provide both their most recent annual reports and any most recent separately published social report (if any). Only one company in the sample published a social report (a Bahraini Telecommunications Company). This report was analysed as



part of the annual report. The time period in which companies were contacted was between May and December 2001. All the reports received or printed from the Internet were mostly related to year 2000 annual reports. A few reports related to 1999. The majority of companies in the sample are public companies listed on the stock exchange (59 companies) that is 85% of the sample. Only four companies characterised by a joint ownership between the government of the country and the private sector and five companies are commercial state-owned companies (see appendix 1a).

### **6.3 Social Reporting Practices in 68 Annual reports from the nine Arab Countries: Illustrations and Descriptions of main Social Reporting Categories**

This section is concerned with demonstrating and analysing the findings of the content analysis study. Illustrations and descriptions of the main social reporting categories are presented, followed by a critical analysis of disclosures under these categories and theoretical reflections on disclosures. Table 6.1 shows a summary of the level of disclosure recorded under each of the four disclosure dimensions.

**Table 6.1: Level of disclosure in respect of the four dimensions.**

<b>Dimension</b>	<b>Number of companies (out of 68) disclosing under each dimension</b>	<b>Percentage. %</b>
<b>(1) Economic</b>	47	69
<b>(2) Environmental</b>	10	15
<b>(3) General Social</b>	62	91
<b>(4) Other Social Characteristics of reports</b>	35	53

#### **6.3.1 The Economic Dimension**

The most dominant understanding of the focus of social accounting and reporting concentrated on issues of natural environment, employees and local and international communities. Chapter three has elaborated on the importance of including the 'economic dimension' in social accounting if we want to see more radical social accountings emerge (see chapter three, section 3.3.1). Bebbington (nd, p. 9), argues that if by social accounting we are aiming towards sustainability development, then key concepts such as integration and interconnectedness should be applied to social

accounting. Integration means bringing together information relevant to all company's stakeholders, be they financial (e.g. investors, lenders), those affected by its environmental impact, or those whose well-being is affected by the company (e.g. employees, local communities). The second key concept is interconnectedness: 'showing how a company's activities relate to the environment, sustainable economic development, and quality of life' (Bebbington, nd, p9). In line with this understanding of a radical form of social accounting, the study incorporates some aspects the 'economic dimension' to social disclosure.<sup>131</sup>

Social accounting and CSR literature has concentrated mainly on supplier and customer relation issues when dealing with the economic dimension of social disclosures.<sup>132</sup> This current research, inspired by the pilot study and Arab Middle Eastern context, added two other categories that the researcher thought to be relevant and would enrich the 'economic dimension' as well as reflecting some aspects of particular social and cultural elements in Arab societies, these are: 'Islamic considerations in company business decisions and activities' and 'linking business activities and decision making to governmental and national considerations' (see table 6.2). Appendix 2(a) provides a description of categories under the 'economic' dimension. A total of 47 companies (out of the 68 companies in the sample) disclosed some form of 'economic' information as defined for the purpose of this analysis (see table 6.2).

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<sup>131</sup> The study recognises that the aspects of the 'economic dimension' included in this study are only partial to the 'economic dimension' included in more critical writings in social accounting. Gallhofer and Haslam (2003) explain that the category 'economic' is concerned with, for instance, productive efficiency, the ethics of the very practice of profit making, the extent of monopolistic or oligopolistic power exercised, the distribution of wealth and the reproducing of material poverty should be at the heart of social accounting and reporting content and scope. They argue that 'not to challenge conventional accounting in this context renders social accounting more susceptible to its influence and this enhances the grip of problematic hegemonic forces upon it' (Gallhofer and Haslam, 2003, p.148). This limitation of the 'economic dimension' in this study is due to the little guidance in the social accounting literature on how to research more critical or radical aspects of the 'economic dimension'.

<sup>132</sup> Few studies in the CSR literature have incorporated the economic dimension in their research. Studies that incorporated the economic dimension have mainly concentrated on customer and supplier related disclosures (see Gray *et al.*, 1995a; Kolk *et al.*, 1999; GRI, 2002). The dropping of the economic dimension in CSR literature could be due to the notion that the economic dimension of sustainability or



**Table 6.2: Level of disclosure under the ‘economic’ dimension.**

<b>Categories employed in exploring disclosure under the ‘economic’ dimension.</b>	<b>Number of companies (out of 68) disclosing under each category</b>	<b>Percentage %</b>
1. Supplier relations.	4	5.5
2. Customer relations.	30	44
3. Islamic considerations in company business decisions and company activities.	18	26
4. Linking corporate business activities and decision making to governmental and national considerations.	25	37

The following highlights the main types and trends of disclosure under each ‘economic’ category.

#### 6.3.1.1 Supplier Relations

There was little evidence of ‘supplier relation’ disclosures, with only four companies (see table 6.2) providing some form of information under this category. A Kuwaiti Oil company’s annual report stated its values in respect of its suppliers in a ‘general value statement’:

- ensure that they operate at Company standards of health, safety and environmental protection.
- treat them fairly and equitably; and
- establish long term relationship and beneficial partnership with key suppliers’ (Kuwait Oil Company annual report 1999, p.39).

‘Kuwait Oil Company’ did not provide in its annual report any detailed information on how it plans to implement or achieve its policies and values towards its suppliers. For instance, the annual reports did not provide any information on the measures that the company is employing to make sure that it is treating its suppliers in a fair manner. Neither did the annual report provide any evidence of an on-going engagement or dialogue between the company and its suppliers that would give a voice to suppliers or

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social reporting remains the least developed of the sustainability or social reporting frameworks (GRI, 2002).

help the company in building a long-term relationship with these suppliers. The other three companies in the sample that disclosed a form of supplier information have also failed to provide details or their relationship with their suppliers. Therefore, even when supplier disclosures appeared in Arab companies' annual reports, and despite the ambitious and bold nature of these disclosures in some instances, the disclosures were vague, isolated and virtually impossible to verify by external users of the report.

### 6.3.1.2 Customer Relations

The highest level of disclosure in respect of the 'economic' dimension came under the 'customer relations' category, with 30 companies in the sample providing information related to customer relations and customer satisfaction. The vast majority of disclosures undertaken by companies in the sample concentrated on improving customer care and broadening the range of products and services provided to customers, such as in the two examples outlined below.

In the report of a Bahraini Bank we find:

'We'll use our expertise and insight to create new products and services, including new investment opportunities that will allow our clients to tap into high growth sectors in unique markets. Plans also include expanding our online brokerage services to provide clients with direct access to a wider range of markets'. (Taib Bank annual report 2000, p.5).

A Bahraini Telecommunications company went further to demonstrate its commitment to enhanced customer services by implementing a 'Customer Service Charter':

'As part of its commitment to enhanced customer service, Batelco implemented a Customer Service Charter. Applicable to residential customers, the charter constitutes a contract between the company and its customers, defining standards for acceptable levels of service and the time limits within which services should be provided' (Batelco annual report 2000, p.8).

The company's annual report and social report (Batelco is the only company in the sample to have a stand alone social report) provided brief description of what the charter contains. That included opening up of new channels of communication and service with the establishment of additional customer sales and service centres across the Kingdom of Bahrain, where a full range of services for residential and small business customers is available. The Chief Executive Report (p.20) explained that such charter aims at



'offering accountability and transparency to the customer'. The statement included in Batelco's annual report contains radical and emancipatory potentials. These potentials stem from the ability of an external user to hold the company responsible for the shortcomings in its performance by reference to this charter (see Gray and Bebbington, 2001 for discussions of importance of environmental and social charters). The charter, in other words, could be used as a benchmark for good practice to hold the company responsible and for evaluation the company's future performance.

Other types of disclosures under this category concentrated on the organisation's relationship with its customers by providing statements that demonstrated the good reputation of the organisation among customers. Two examples are outlined below:

A Jordanian Bank annual report highlighted its successful relationship with customers:

'Our outstanding relation with the customer, as well as our endeavour to stand by them and help them in achieving their goals represents an important strength element in Arab Bank's clearly articulated strategy' (Arab Bank annual report 2000, p8).

Another Saudi Bank celebrated the high level of customer satisfaction with the Bank performance:

'Customer satisfaction, a key and independent indicator of the Bank's performance, has been at an all time high - not only in our own marketplace, but also in comparison with other financial institutions in the region and, indeed, in other developed economies'. (Saudi American Bank annual report 2000, p.15).

While companies were keen to include positive statements about company-customer relationships and customer satisfaction, very few companies provided disclosure regarding the means of communicating with customers or information related to customer's needs and satisfaction surveys. The handful of companies that disclosed such information did so in very general terms. An annual report of a Saudi Bank explained its policy regarding communicating with customers:

'At ANB, we are driven to exceed customer expectations through a process of listening, evaluating, delivering and communicating with our customers'. (Arab National Bank annual report 2000, Directors report).

And:

'The feedback from our customers has indicated that they are in fact satisfied with our service and personal attention' (National Mobile Telecommunications Company annual report 2000, Chariman's Message, p.4).

The above two companies, however, fail to give further details on the means of communication with their customers or on feedback mechanisms.

One Bahraini Telecommunications company briefly reported on an independent customer survey findings:

'Independent surveys have confirmed Batelco's global competitiveness in terms of quality, delivery and value for money' (Batelco Social Magazine 2000, pVI).

Other less evident disclosures under this category varied from providing a list of customers dealing with the company to some unique disclosures, such as this one by a Syrian joint venture Services and Tourism Company:

'Despite the fact that the customer failed to comply with the contract conditions and regulations, the company continues dealing with (the customer) until the customer finds another supplier, as the company wishes to co-operate with (the customer) to avoid a situation where employees (of the customer) stay without food or services' (The Syrian Services and Tourism Company annual report 2000, p27). (Translated from Arabic to English).

The Syrian company's quotation suggest that considerations, other than maximising shareholder value may, in this case at least, be of some significance. The reason could be that the Syrian Services and Tourism Company is a joint venture where the Government owns 25% of the shares, making it the largest shareholder in the company. The Syrian Services and Tourism Company' customer is also a joint venture company where the Government owns 51% of the shares. This suggest that in a country like Syria, where the Government plays a significant role and has a significant share of economic activities, decision making, in some cases, is not always based on a profitability criterion, but also upon broader conceptions of public and national interest.-

All in all, disclosures under 'supplier' and 'customer' relations' categories tended to be general, qualitative and concentrating mainly on good or neutral news, lacking, in most cases, any critical or negative news. Radical forms of disclosures under these two categories made a very modest appearance. Very few companies, for instance, disclosed



of any form of engagement and communications with or feedback from their customers or suppliers - such as that of Batelco's 'customer Services Charter' that constitute a contract between the company and its customers. Exclusion of the voices of customers and suppliers from the process of governing and shaping company's future policies, indicated by the lack of disclosure on such involvement, deprive the entity of the opportunity to construct an accountable and transparent account of its relationship with its customers and suppliers. On another note, it is not clear why there is a significant difference in disclosure levels between 'customer' and 'supplier' relations disclosures, where customer relations disclosure manifested in the 68 annual reports are considerably higher than disclosures relating to 'supplier' issues. From the analysis, this is most likely because the majority of companies in the sample are public holding companies, driven in many cases by expanding their customer base and, therefore, maximising their shareholders' value. Disclosures on customers tend to reflect such a consideration.

#### 6.3.1.3 Islamic Considerations in Corporate Business Decisions and Corporate Activities.

Disclosures indicating Islamic influence on Business decisions and activities amounted to (26%) of the sample (18 companies) (see table 6.2). Disclosure in this category primarily included details regarding the provision and introduction of Islamic products and services. A Kuwaiti Islamic Finance Institution's annual report stated:

'Kuwait Finance House has achieved a remarkable success toward providing overall banking services based on the principles of the Sharia...In the field of financing Islamic companies and car agencies, KFH provided KD 51 million in finance through its 'murabaha'<sup>133</sup> product, and provided KD 10 million for financing the building of the University City at Sharjah, through the 'istisnaa'<sup>134</sup> product' (Kuwait Finance House annual report 2000, p16).

Another Islamic Saudi Bank annual report celebrated the opening of three new ladies' branches:

'Given the growing need for specialised women's banking services, the bank opened three ladies banking branches offering comprehensive banking and investment services exclusively for women. Our new local share trading unit

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<sup>133</sup> See chapter four for the meaning of Murabaha.

<sup>134</sup> A contract whereby the purchaser asks the seller to manufacture a specifically defined product using the seller's raw material at a given price (Faysal Islamic Bank Annual Report, 1999 p.11).



managed by ladies resulted in growing attention from local business women to invest directly in the local stock market' (Bank Al-Jazira annual report 2000 Directors Report).

Providing Islamic products and services is not exclusive to Islamic banks and institutions. Other banks the majority of those transactions fall within traditional banking transactions, such as dealing with interest, are also providing Islamic types of products and services. A Jordanian bank describes services offered under Islamic Sharia and the expansion of the Islamic division in the bank:

'The Islamic Banking Division offers Islamic-based financing to the health, education and manufacturing sectors... The bank provides banking services which are in compliance with the Sharia... The total number of employees in the Islamic banking Division at the end of 2000 reached 209 compared with 161 by the end of 1999' (Arab Bank Group annual report 2000, p34).

Some disclosures under this category provided statements confirming the strict adherence to the principles of Islamic Sharia in the organisation's activities. Islamic institutions were, again, prominent in this area. A Bahraini Islamic Bank annual report described how the bank's functions were all in line with the 'Sharia Islamieha' that is taken from the Holy Quran and the sayings and practices of the Prophet Muhammad:

'The Holy Quran outlines for Muslims a complete code of life for dealing individually or collectively. This is further amplified by the sayings and practice of the Holy Prophet (May Peace be Upon Him). In this context all functions of the Bank are performed in strict adherence to the principles of Islamic Sharia. In order to ensure such conformity to Sharia the Group's operations are checked and monitored by its Religious Supervisory Board (RSB) to which the management reports periodically. In case of new operations and activities prior approval of the RSB is invariably obtained by the Bank's management... The RSB of the bank itself comprises eminent scholars of Islamic Sharia from Bahrain, Egypt, Saudi Arabia, Turkey and Pakistan possessing in depth knowledge of the conditions in which the Group operates. The RSB is also composed of many international renowned Islamic Scholars, provides advice from time to time on issues that pertain to Group level implementation.' (Faysal Islamic Bank annual report 1999, p6).

A 'Sharia supervisory Board' of another Bahraini Islamic Bank claimed explicitly the influence of Islamic teachings and rules on decision making and activities of the bank:

- '(a) the contracts, transactions, and dealings entered into by the Bank during the year ended 31 December 2000 that we have reviewed are in compliance with Islamic Sharia Rules and Principles;
- (b) the allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Islamic Sharia Rules and Principles;



- (c) all earnings that have been realised from sources or by means prohibited by Islamic Sharia Rules and Principles have been disposed of to charitable causes; and
- (d) the calculation of Zakat is in compliance with Islamic Sharia Rules and Principles.' (First Islamic Bank annual report 2000, Sharia Supervisory Board's Report to the Shareholders, p.35).

While Islamic banks and institutions state their full adherence to Sharia principles, other institutions in different sectors have also disclosed information regarding the influence of Islamic considerations on their business activities. A Bahraini Telecommunications company explained its business policy of making the usage of facilities easier for pilgrims on Haj:

'This year Batelco will be doing even more to ensure that pilgrims on Haj have every opportunity to stay in contact with family and friends in Bahrain throughout their journey. A special package has been designed for Haj Agents which will include mobile handsets and SIM cards for use on Haj, allowing pilgrims to communicate easily and cost effectively while they are away' (Batelco Social Magazine, p7).

Quantitative disclosures were more evident under this category than the previous 'supplier' and 'customer' categories. Ten companies (15% of the sample) provided some forms of financial disclosure in respect of their Islamic activities. The majority of disclosures concentrated on Zakat payment and Zakat obligations. Other financial disclosure in respect of Islamic considerations included information regarding the dealing with earnings prohibited by Islamic Sharia. The following is an example:

'Earnings prohibited by Sharia amounting to US\$337,019 for the year ended 31 December 1999 (1998: US\$15,000) are not included in the income statement and are set aside for charitable purposes' (Faysal Islamic Bank annual report 1999, p.27).

Financial disclosure regarding Islamic investments was also evident as in this example from an Islamic company:

'A Murabaha investment amounting to KD 2,748,000 has been pledged against a letter of guarantee' (The International Investor annual report 2000, p.26).

As discussed in Chapter Five, Islam has a major impact on life and culture in the modern Middle East. Muslims consider Sharia to be the source of all law. To be a true Muslim, all aspects of life should be conducted in line with the rules of Islam (McKee *et al.*, 1999). It is not surprising then to find some companies in the Arab Middle East,



including those that do not necessary name themselves as Islamic, voluntarily providing information regarding their adherence with Islamic rules and teachings, and/or disclosing information that illustrates the impact of Islamic considerations on their business activities. It could be that these types of information are companies' ways of portraying themselves as 'good citizens' in the Arab community, where religion and the teachings of Islam have a big influence on people's everyday lives.

Most of the companies disclosing under this category are financial institutions describing themselves as Islamic. They are part of an increased trend in the Arab Middle East of moving towards Islamic financing and investments (see chapters four and five). Their voluntary disclosures regarding their adherence to Islamic concepts and Sharia in different aspects of their business/economic activities represent a potential for a radical and emancipatory form of accounting where social justice (the main objective of Islamic Sharia) is enmeshed within economic objectives. For instance, disclosure under this category have demonstrated a consideration for making economic decisions on a basis other than the financial ones, of maximising shareholders' value: *'all functions of the bank are performed in strict adherence with the principles of Islamic Sharia'*. Another emancipatory and radical potential stems from the necessity under Islamic consideration to provide details of activities undertaken by the institution to ensure adherence to Islamic Sharia: *'[The bank] offers Islamic-based financing to the health, education and manufacturing sectors'*. Institutions have also provided details in respect of their charitable contributions of income resulting from activities prohibited by Islam, such as dealing with interest. Further emancipatory potential is evident in disclosures on financial activities in line with Sharia such as Zakat, Mudaraba and Musharka (see chapter four), which have social justice aspects to them. Disclosures under this category have also demonstrated a verification mechanism to Islamic objectives, where a 'Religious Supervisory Board' verify and report on the adherence of organisation's activities to Sharia. While the board is an internal one within the organisation, its role is emancipatory in that it verifies the adherence to Sharia concepts and not to profitability ones (see also section 6.3.3.5). Disclosure under the Islamic considerations category demonstrates a radical form of disclosure in that it interconnects social and economic objectives and activities of business organisations – an important aspect of sustainability development.



#### 6.3.1.4 Linking Corporate Business Activities and Decision Making to Governmental and National Considerations

More than a third (37%) of the companies in the sample have engaged in disclosures linking their activities to governmental and/or national considerations (see table 6.2). The vast majority of disclosures under this category are concerned with demonstrating the contribution of organisations in the development and growth of the domestic or regional economy and the implementation of Governmental objectives and policies. Typical disclosures under this category are outlined below:

‘The bank has made significant contributions to the development of the Sultanate’s economy by financing a number of infrastructure construction and development projects such as highways, airports, harbours, power stations, water desalination plants and hospitals’ (Oman Arab Bank annual report 2000, p2).

And

‘The bank has traditionally played a leading role in the development of the State of Qatar economy and its infrastructure with the financing of a number of major projects, the Bank continued to arrange and participate in major local, regional and international syndications’. (Qatar National Bank annual report 2000, Management Report).

While the majority of disclosures took the above general, and on some occasions, vague form, some companies were more specific about the national interest(s) and Governmental objective(s) they supported, providing some quantitative information. A Bahraini Telecommunications Company annual report explained how the company became a key integral part of the modern fabric of Bahrain:

‘We are proud of our contribution to the social and economic progress of Bahrain to date. We are one of the major employers in Bahrain, providing work to more than 2000 employees, 95 per cent of whom are Bahraini. In this capacity we inject significant amounts into the national economy in the form of salaries, dividends and via the purchase of goods and services within the local market. This has been complemented by financial support to educational, cultural and philanthropic projects that will improve the quality of life for all Bahraini people...Batelco, as one of the blue-chip Bahraini companies, pumps more than BD 71 million into the national economy over the past year by way of salaries, local expenditure and investments. In addition to its contribution to the economy of the country, Batelco, as a matter of policy, annually allocates 2% of its net profits to social, cultural and philanthropic projects with the community’. (Batelco Social Magazine, Chairman’s Statement p1).

Another Saudi Bank's annual report also stated:

'In support of the government's aim of seeing more Saudis in employment, the Bank has continued its policy of introducing high quality nationals into the workforce such that the Saudisation level had reached 74% at the end of the year, up from 71% a year earlier'. (The Saudi British Bank annual report 2000, Chairman's message p.6).

A number of companies emphasised the nationalistic issue of allowing national contractors, or contractors that mostly employ national staff, the opportunity to contribute effectively to the growth of the national economy. The following statement is taken from Kuwaiti Oil Company's 1999 annual report:

'By the end of the year, 37 of these contracts (with suppliers) were amended, providing 166 jobs for Kuwaiti nationals. The actual number of Kuwaiti employees employed under these contracts reached 157'. (The annual report of Kuwait Oil Company, p.19, 1999).

Among all the companies, a Syrian Services and Tourism Joint Venture Company was the one to disclose most under this category. One example of this disclosure is the following citation, where the company states that the purpose of its existence in the first place is to meet governmental and national plans:

'The establishment of our company was in line with the state's plans to encourage the private sector to play a constructive role in the national economy. Therefore, the Company, as a joint venture between the private sector and the state, plays an important role in developing and encouraging tourism in Syria as the Syrian development plan is based on the co-operation between the private and the public sector' (Syrian Tourism Group annual report 2000, p.4) (translated from Arabic to English).

The same annual report of the Syrian Services and Tourism Company highlighted the dates of Syria's Independence Day on a number of occasions.

'The Board of Directors are delighted to commence its meeting, and for the 23<sup>rd</sup> time, on the 17<sup>th</sup> of April, which is the National Independence Day of Syria, the day that foreign colonial powers left Syria.' (The Syrian Tourism and Services Company annual report 2000, p.1).

The report continues:

'The achievement of the company goes beyond what the public, private and joint sectors achieved in the last century until now, i.e. since the retreat of



the foreign colonial armies from our beloved republic' (Syrian Tourism Group annual report 2000, p2).

As noted in Chapter Five, by the time Western colonial powers left the Arab world at the end of World War II, most of these countries were either left with absolute monarchies, such as the Gulf States and Jordan, or with socialist governments, such as Syria and Egypt. In both cases, the government has a large stake in and control over the national economy and contributes to the development of the private sector (Briston, 1990; McKee et al., 1999). It is not surprising then to find that Arab companies are willing to voluntarily provide information regarding their support of governmental policies and plans, and to explain to their stakeholders, the Government constitute an important part thereof, the impact of national considerations on their business activities and decision making. Again, the types of disclosure under this category constitute a potential for an 'emancipatory/radical' form of disclosures. They represent a departure, albeit marginally, from the dominant economic/financial disclosures in capitalistic frameworks, which largely address the interests of shareholders in regard to maximising their wealth (see chapters two and three). A number of disclosures manifested under this category included a concern for the company to meet some aspects of national and social interests and welfare.

In general terms, the disclosures in respect to the 'economic' dimension with its four categories (see table 6.2) were positive or neutral in nature, with no signs of any negative or bad news in any of the reports. The impact of Arab societies' particular characteristics was evident throughout the reports, with religious and national interests emphasised as drivers for economic decision making.

### ***6.3.2 The Environmental Dimension***

Disclosure under the 'environmental dimension' is anticipated to touch upon matters such as energy usage and efficiency, water material usage and conservation efforts, waste and pollution controls, efforts to decrease transport pollution impact, habitat protection and land use. Disclosure under the 'environmental dimension' is also anticipated to include a discussion of the environmental management and control systems and mechanisms employed by the company for enhancing their environmental performance, as well as discussions regarding Sustainability Development and other particular environmental issues relevant to the company and/or the country that the

company operates in. Appendix 2(b) provides some delineation of matters expected to be disclosed under the environmental dimension. Only ten companies, 15% of the sample, disclosed some form of environmental information, making the level of disclosure in relation to the 'environmental' dimension the lowest compared to the other three dimensions (see table 6.1). The narrative/qualitative form of disclosure was the most common under this dimension. Again, as in the case of the 'economic' dimension, there was no evidence of any 'negative' or 'bad' news related to the environmental impact of companies in any of the annual reports, with the majority of disclosures being of a 'positive', self-complementary nature. Apart from a few service and financial companies reporting on some general themes in relation to the environment, companies providing information in relation to their environmental performance were mainly from the Oil and Industrial sectors, having a clear environmental impact. Disclosing companies, mainly, emphasised their environmental management and control (see table 6.3), with 6 out of the 10 reporting companies making some form of policy statements regarding their environmental performance. The majority of these statements are being general and of a 'positive' or 'neutral' nature.

**Table 6.3: Disclosure under the Environmental dimension**

<b>Categories employed in exploring disclosure under the Environmental dimension.</b>	<b>Number of companies (out of 68) disclosing under each category</b>	<b>Percentage %</b>
1. Energy	3	4
2. Water	4	6
3. Waste.	2	3
4. Pollution control	5	7
5. Sustainability	1	1.5
6. Material usage (other than fuel and water)	0	0
7. Transport	0	0
8. Habitat Protection	1	1.5
9. Land-use/Biodiversity	2	3
10. Environment management and control.	6	9
11. Other environmental disclosure.	9	13



Disclosures under energy, water, waste and pollution control categories were very low ranging only from two to five companies. Disclosure under the 'other environmental' category, which contains different environmental topics, amounted to nine companies disclosing on issues such as studies and research in respect of the environment, discussing general themes related to the environment and educating the community on environmental issues. Only two companies in the sample provided evidence of environmental audit or management systems and four reported on compliance with national and international regulations. Only one company in the sample disclosed information relating to the rate of environmental incidents. Disclosures were of a 'positive' or 'neutral' nature, failing to give any specific details or significant quantitative and financial data. Only three companies reported under the energy category, with disclosure concentrating on energy savings and conservation, but failing to provide any information regarding types and quantities of energy used by the company. The following is an example from a Saudi Petroleum Company annual report, which referred to the company's 'energy conservation programme':

'As part of its ongoing environmental efforts, Saudi Aramco implemented specifically tailored energy conservation programmes at its many oil and gas plants. A wide range of energy efficiency improvement and emission reduction measures have been identified, ranging from short-payback operations and maintenance items to large investments in process optimisation, heat integration and cogeneration. The programmes seek to reduce the company's fuel gas and electric power consumption, setting an example for other industries in the Kingdom' (Saudi Aramco annual report 2000, p.36).

Despite the critical importance of the water issue for countries of the Middle East, only four companies disclosed information on water conservation. One Saudi Oil company annual report highlighted the importance of water to Saudi Arabia and its efforts to protect water supplies in the Kingdom.

'Beneath the surface of Saudi Arabia exists a supply of water that for centuries has provided the essence of life. The protection of this vital resource is an important responsibility and one of Saudi Aramco's highest priorities. In order to maintain high standards of purity, Saudi Aramco assesses water quality from source through distribution to ensure that it is free from harmful biological and chemical contamination and is safe for use. Water wells, seawater intakes, treatment plants and distribution systems are routinely inspected to ensure compliance with company standards. Likewise, water samples are continually collected from groundwater monitoring wells in order to detect contamination at waste storage and disposal sites, industrial

plants, oil fields, and surface water disposal facilities'. (Saudi Aramco, Environment Section, annual report 2000, p.37).

Waste related and land use disclosures amounted only to two companies (table 6.3), while none of the companies in the sample provided information under the 'Material usage' and 'Transport' categories. Only one company in the sample made a mention of Sustainability Development in its annual report.

#### 6.3.2.1 Environmental Management and Control Category

Table 6.4 shows numbers and percentages of companies reporting some sort of information that could help in illustrating the companies' commitment to environmental control. Six companies in the sample provided some type of environmental commitment statements.

Table 6.4: Disclosure under 'Environmental Management and Control' sub-category

Sub-Category	Number of Companies (out of 68)	Percentage %
Environmental Statements of Commitment.	6	9
• Actual statement of policy	4	6
• General statements in terms of what company has done and will do beyond the actual statement of commitment.	5	7
Environmental Incident Rates	1	1.5
Environmental audit and management system	2	3
Compliance with national and international regulations	4	6

Statements of commitment and environmental control were, mostly, general and vague in nature, lacking any specific targets or comparative information that the company could be held responsible for in the future. The following illustrations are from two different annual reports:

'Saudi Aramco continued longstanding efforts to protect the societies in which it operates and contribute to the overall environmental health of the kingdom. Using the electronic and advanced networks at its disposal, the company sought to prevent contributing to the complex, overlapping and



sometimes fragile nature of those relationships that bind all living together and sustain life on the earth' (Saudi Aramco annual report 2000, p35).

'You may think a telecommunications company which deals mainly in wireless technology can do little about community ecological initiatives but Batelco has, in recent months, undertaken several significant measures which have targeted our nation's ecology and carved a leader's role for itself in combating ecological problems. Batelco, in conjunction with, and supported by the Ministry of Housing, Municipalities and the Environment, has undertaken a number of positive initiatives at all levels towards environmental sustainability'. (Batelco Social Magazine 2000, p.8).

Few companies in the sample reported on their commitment to environmental issues by emphasising particular environmental projects that the company is engaged in. The following example is taken from Aramco's annual report.

'As part of Saudi Aramco's programme to phase out the use of chlorofluorocarbons (CFC's), the company launched preliminary design work into major capital projects to replace a total of 92 air conditioning chiller units that use CFC refrigerants. The new chiller units will use a non-CFC refrigerant that is safe and does not effect the ozone layer. The replacement programme complies with the Montreal Protocol, of which Saudi Arabia is a signatory'. (Saudi Aramco annual report 2000, the Environment section, p.37).

Only two companies (3%) in the sample disclosed information regarding their application of environmental audit or environmental management systems. Disclosure under the sub-category: 'Compliance with national and international Regulations' showed a slightly higher level of disclosure - four companies. The following is one example:

' SABIC is committed to the highest standards of performance of its facilities to meet stringent environmental standards set by the Government and the Royal Commission for Jubail and Yanbu<sup>135</sup>. Manufacturing plants are engineered to minimise environmental impact and pollution control measures are given top priority. A policy of continual upgrading ensures compliance with global regularity requirements as SABIC pursues a vigorous and proactive approach to safety, Health and Environment issues...SABIC environmental policy dictates a 'cradle-to-grave' approach on all products and raw materials through 'product stewardship'. This means that the environmental impact of SABIC's raw materials and products will be addressed by our experts'. (SABIC annual report 2000, p.31).

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<sup>135</sup> The Royal Commission for Jubail and Yanbu was established in 1975 as an autonomous organisation of the Saudi Government. The Commission is governed by a board of directors and its Chairman reports to the Council of Ministers. The mandate of the commission is to implement the physical and social infrastructure required for the development of Jubail and Yanbu areas as industrial cities (rcjy, 2004).

The low level and quality of disclosures under the ‘environmental management and control’ category indicate a lack of serious attempts by Arab companies to address environmental concerns in their societies and to act upon these concerns (see Gallhofer *et al.*, and Harte and Owen, 1991).

### 6.3.2.2 Other Environmental Disclosure

Sub-categories under the ‘Other Environmental Disclosures’ category included ‘studies and research in environmental issues’, whether carried out by the reporting company or sponsored by it, ‘discussing general themes related to the environment, and ‘educating the community on environment issues’. The number of companies reporting under each of the above sub-categories was four companies (see table 6.5).

**Table 6.5: Disclosure under ‘Other Environmental Disclosures’ category**

Sub-categories	Number of Companies (out of 68)	Percentage %
Studies and research in environmental issues	4	6
Discussing general themes re-environmental issues	4	6
Educating the community on environmental issues	4	6

Kuwait National Petroleum Company’s annual report contained the following statement regarding the company’s scientific research in respect of environmental issues.

‘Out of its belief in the vitality of providing the scientific base for any plan or project in the refineries, the company was always keen on planning based on conducting necessary studies. Among them was a study for yield improvement and saving energy in the refineries....A study is also being conducted to upgrade waste water treatment facilities in the three refineries. The objective of this study is to improve the effluent quality to meet the discharge standards and to facilitate re-use of shipped water’. (Kuwait National Petroleum Company annual report 1999).

Disclosure under ‘general themes re-environmental issues’, as mentioned earlier, amounted also to four companies. Disclosure under this sub-category was under taken by two banks, a telecommunications company and an oil company. Themes under this



subcategory concentrated on the natural environment and the protection of animals. A UAE Bank, for example, dedicated two pages of its annual report to a discussion of its caring for Whales and Dolphins in UAE waters:

‘The waters of the UAE are part of the Indian Ocean Whale Sanctuary, designed to offer protection to whales and dolphins, and are of extreme importance to this group of marine mammals. The richly diverse and productive seas of both the east and west coasts of the UAE provide suitable habitat for the whales and dolphins that can be found here...His Highness, the President Sheik Zayed bin Sultan Al-Nahayan, who takes a great deal of interest in the study, observation, and protection of our wildlife. His active support and involvement in conservation efforts assures the preservation of a great natural inheritance for future generations’. (Union National Bank annual report 2000).

The ‘Educating the community on environmental issues’ sub-category included the following example:

Saudi Aramco continued its involvement in developing mangrove habitats for shrimp and other creatures on the Arabian Gulf coast near the Ras Tanura Refinery. The company recently took the programme a step further by helping the National Commission for wildlife Conservation and Development to transplant an additional 1,000 new seedlings. Schoolboys from the nearby Safwa school system took part in the transplant effort - showing the growing awareness among young people in the Kingdom of the importance of preserving natural habitat.’ (Saudi Aramco annual report 2000, Environment section, P.35-36).

Arab countries of the Middle East face major environmental concerns, most importantly, population growth that results in increasing pressure on natural resources, especially water. The 68 companies in the sample, however, failed to significantly address and elaborate on environmental issues that are of particular concern to Arab societies. Levels of disclosure under the ‘environmental dimension’ were very low, provided only by 15% of companies in the sample mainly in the oil and industrial sectors. Disclosures were narrative/qualitative with hardly any significant or substantial quantitative or financial information. Disclosures, when made, concentrated on enhancing a positive image of the company, providing only positive and self-complimentary information and avoiding any discussion or information on the extent of the impact of the company’s operations on the environment. In addition, the level of disclosure in respect to employment of environmental management and control systems, an evidence of efforts to reduce negative environmental impact, were very low, amounting to only 3% of the sample. Independent verification of environmental

disclosures, furthermore, was completely absent. One may speculate about the reasons behind this low level and quality of environmental disclosure. It could be due to the lack of mandatory requirements for such disclosures in the nine countries in this study and the lack of good news that companies would be willing to voluntarily disclose. The low level of disclosure could also be due to the choice of sample in this study, as 80% of the companies in this sample come from financial and service sectors that may not perceive themselves as engaged in environmental sensitive activities.

### ***6.3.3 General Social Dimension***

Reporting in respect to the 'general social' dimension includes disclosure in relation to social issues such as community development, employment issues, health and safety, management information, social policy and commitment statements (Appendix 3c provides a description of what forms of information could be included under each category). The proportion of companies reporting under the 'general social' dimension amounted to 91% of the sample, with 62 companies (out of the 68 in the sample) disclosing some form of 'general social' information. The most popular disclosures under this dimension were the 'employee related issues' category with 75% of companies disclosing information under this category (see table 6.6). As was the case with the previous two disclosure dimensions – 'economic' and 'environmental' - disclosure under the 'general social' dimension tended mostly to be 'positive' with an absence of any 'negative' news. The predominant form of disclosure undertaken was, mainly, narrative/qualitative orientated. A number of companies provided some financial and quantitative information, especially in relation to donations and employee training.



**Table 6.6: Disclosure under the ‘General Social’ Dimension**

Categories employed in exploring disclosure under the general social dimension	No of companies (out of 68) disclosing under each category	Percentage %
1. Community developments	21	31
2. Employee issues	51	75
3. Health and safety issues	6	9
4. Management Information	48	71
5. Commitment statements and management control of social responsibility	35	51.5
6. Other social/ethical disclosures	4	6

### 6.3.3.1 Community Development

As noted in table 6.6, a total of 21 companies (31% of the sample) disclosed a form of ‘community development’ information. The most common forms of disclosure under this category included: donations and sponsorship of schools, art, sports, health, education, and, details of charitable donations. Some disclosures also included development of local/regional communities in general. In some cases, companies included details regarding the amounts of donations and the parties that these donations were made to. Donations for schools and general education purposes were, no doubt, the most prominent focus of this type of disclosure. The three quotations below provide examples of companies’ disclosure regarding their donations and support of educational causes.

‘Education continues to be a central focus of our community activities and a significant allocation is made to support a number of educational institutions. For the sixth consecutive year, Batelco contributed to the British Chevening Scholarship Fund for Post Graduate Study in the United Kingdom...the scheme sponsors Bahraini students wishing to pursue their studies abroad. This donation brings Batelco’s total contribution to BD 27,000 over a six-year period. In co-operation with other organisations, such as the Bahrain Society for Training and Development, Batelco promotes Training and Education fundamental to the progress of Bahrain. Our annual summer training programme attracted 84 students from the University of Bahrain.’ (Batelco annual report 2000, p24).

‘As a responsible financial institution SABB has provided further support to community activities during the year as well as scholarships to universities

and colleges for a number of Saudis, enabling them to enhance their educational qualifications and thereby their employment opportunities' (The Saudi British Bank annual report 2000, Chairman's Statement, p.7).

'The company continued to provide direct cash to the local community institutions. Scientific research and studies were also financed through universities and various scientific institutions. The youth were also provided with financial support to sports clubs and youth centres'. (Arab Potash Company, Jordan, annual report 2000, p.27).

The relatively high level of disclosure in respect of donations to schools and general education by Arab companies could be due to critical geopolitical issues of population growth and increased numbers of young people in Arab societies. Arab governments are increasingly faced with greater numbers of young people, requiring greater education facilities. In the Gulf States, a high priority for Governments is to better educate the indigenous young people to replace the high numbers of foreign labour in their countries. Arab companies, especially those of the Gulf States, disclosing voluntarily on their efforts in the education field, would like to be seen as contributing positively to the achievement of this national goal, and, thereby, portray themselves as good citizens in their context.

Health donations, especially related to children's health and welfare, were also popular.

The following are examples:

'The Bank was able to contribute towards the community's health and welfare by arranging to install and commission two general purpose X-ray machines in Salamaneya Medical Centre, Bahrain's main government hospital, at a total cost of BD 63,000. The Bank also funded a programme, initiated by the Skal Club, to provide free reading glasses to all needy children in Bahrain with impaired sight.' (National Bank of Bahrain annual report 2000, p.24-25).

'[The company] participated in a timely and effective manner in addressing a number of issues of vital importance to the Kuwaiti community, foremost among which was the issue of drug addiction. Mindful of its social role and duty toward its community, KFH made a historic donation to build a sanitarium for drug addicts at a cost of KD 4 million. Work on building this sanitarium was recently started with huge government, parliamentary and popular participation. KFH also played an effective role as a main sponsor of the National Drug Control Campaign.... KFH adopted and provided full support to a campaign supporting education launched under the name 'May Allah Grant Them Success''. (Kuwait Finance House annual report 2000, p18).



Disclosures relating to employees' involvement in community development were less evident among the 68 companies annual reports, with only three companies disclosing this type of information, indicating a somewhat lack of recognition among Arab companies in this study of the importance of staff support in achieving the company's community development targets. An example is taken from the Kuwait Oil Company annual report:

'Employees of the company participated in 'Rehabilitation and inauguration of the Ahmadi Public Gardens and the planting of the Martyr's Tree under the auspices of H.E. The Governor of Ahmadi' (Kuwait Oil Company annual report 1999, p.28).

Family welfare was mentioned by four companies in the sample. Among these companies was the Qatar National Bank:

'Since (the establishment of the Social Responsibility Committee) three years ago, the (committee) has fulfilled its mission to help build a better Community for everyone in Qatar by intensifying its activities in serving the community in Qatar...Amongst the important projects supported by the Social Responsibility Committee was the Family Income and Expenditure survey conducted by the State Planning Council to identify changes in major components of family spending and income' (Qatar National Bank annual report 2000).

Financial details and amounts contributed to the community were disclosed by 11 companies, out of the 21 that undertook community development disclosure, as the example of this UAE Telecommunications Company disclosing information regarding international donations:

'The Corporation is also sensitive to the smiles and the tears of the community. Etisalat and its employees donated over AED 2 million to the Palestinian cause.' (Etisalat annual report 2000, p.20).

Voluntary 'community development' disclosures manifest in some of the 68 Arab companies' annual reports could give an insight into social issues that are of particular importance for Arab societies. As seen earlier, companies' support of educational goals and institutions through donations and/or scholarships indicates the importance of providing new generations of young people an access to more education, especially higher education opportunities in Arab countries. Disclosure of these donations by companies, therefore, is a good opportunity for companies to portray themselves as good citizens in their societies. Similarly, disclosures regarding donations to hospitals,

research projects and festivals that would advertise their countries on the international level and reporting on family issues, could all be considered to address wants of great importance to Arab societies. Therefore, companies would be keen to disclose their participation to provide enhanced furnishment of these wants in the Arab societies.

### 6.3.3.2 Employee Related Issues

The 'employee related issues' category was hit most often in the analysis in terms of the number of companies reporting. There were 62 companies providing some form of information under this category. Disclosures mainly declared 'good' and 'positive' news, with little evidence of dialogue or consultations with employees. Disclosing companies tended to emphasise mainly employee training and education; thanking employees and providing details of the 'nationalisation' efforts of the workforce undertaken by the company. Table 6.7 illustrates the main sub-categories under the 'employee related issues' category:

**Table 6.7: Level of disclosure under the 'Employee Related Issues' category.**

<b>Sub-Categories under Employee issues category</b>	<b>No of companies (out of 68) disclosing under each sub-category</b>	<b>Percentage %</b>
Training and education	36	53
Employee surveys and staff consultations	4	6
Employees benefits	14	21
Thanks to employees	32	47
Nationalisation of employees	27	40
Details of workforce of company	11	16
Other employee issues	5	7

#### 6.3.3.2.1 Training and Education of Employees

The highest number of companies disclosing under the employee category was in the sub-category 'training and education of employees', with 36 companies (53%) of the sample, disclosing some form of information under this category (see table 6.7). Out of



these 36 reporting companies, 21 provided some sort of qualitative information regarding numbers of employees involved in these training and education courses and the types and nature of courses or sponsorships that were awarded to employees. Typical examples of disclosures are elaborated below:

‘ [The] ‘Training Department’ has continued during the year with developing and presenting training programmes which enhance the quality and efficiency of SABB staff, thus ensuring the highest levels of customer service and enhanced profitability for the Bank. Over the year, in excess of 2000 employees have attended the Bank’s training courses. Many of these courses have addressed the basic skills required by staff including credit assessment, trade services, treasury, banking system, PC proficiency and English Language, for which the Bank is proud to announce the appointment of its first Saudi English language trainer.’ (The Saudi British Bank annual report 2000, p.17).

‘The company devotes special attention to training and career development programmes designed to improve the capabilities of indigenous manpower and to increase the overall efficiency of employees...Furthermore, the company continued its co-operation and co-ordination with various consultants...sending 848 employees to local training programmes. A further 508 employees attended developmental training courses overseas designed to introduce them to the latest methods and technologies a total of 1222 employees participates in versatile administrative and technical development training courses conducted by KPC’ (Kuwait Oil Company annual report 2000,p.25 [sic]).

This high level of disclosure under the ‘training and education of employees’ category could, again, be explained in terms of the significant importance of the nationalisation of the workforce issue, especially in the six Gulf States. Therefore, companies are eager to demonstrate their efforts in training and preparing young, indigenous people to join the company and take over from foreign experts.

#### 6.3.3.2.2 Employee Surveys and Staff Consultation

While training and education disclosure was 53%, ‘Employee Surveys and staff consultation’ disclosure amounted only to 6% (four companies in the sample). In this respect, disclosures undertaken by the four companies were in respect of staff satisfaction surveys and were all positive in orientation and general. Batelco, the Bahraini Telecommunications Company, offered the most specific disclosure among the reporting companies:

'It is true to say that the staff at Batelco are central to our corporate vision and we place a correspondingly high emphasis on their satisfaction and well-being...The degree of employee satisfaction is borne out in the low employee attrition rate and the number of applications for employment we receive on a monthly basis'. (Batelco annual report 2000, p.17).

The same company's Social Magazine 2000 reported on the results of an 'employee satisfaction survey'. A special report was issued by the company, with the heading: 'Employees' Pride in Batelco Shines Through: ESS Results Show Overall Upswing in Satisfaction'. The report shows the results of the survey:

- 91% of our employees feel Batelco is a better company to work for than other companies. One of the main reasons for this opinion is that at Batelco employees face no discrimination of gender, marital status and nationality.
- 96% of our employees said they felt committed to the future success of Batelco
- 90% said they understood the company's insistence on high-quality work and took pride in working for Batelco
- Between 93% and 98% of our colleagues feel that their work is important to the company and to the customer and that they have the expertise to properly do their job.' (Batelco Social Magazine 2000, p.2).

With the exception of these isolated instances of employee satisfaction surveys, there was no evidence of Arab companies engaging with their employees in a systematic and two-way-process, where employee voices are heard and acted upon and their visions are considered and incorporated in the company's policies and vision. This again, as the case with the low level of 'supplier' and 'customer' engagement, does not indicate the existence of a radical form of communication, where the organisation becomes a democratic institution open to its stakeholders' voices and visions, and acts upon them. Arab companies, therefore, operating in predominantly Islamic societies are not adhering to some important elements of Islamic Sharia such as Shura (consultation) and Jima (consensus) (see table 4.1 in chapter four) that should be the basis for Muslims' social and political behaviour and where free consultation is manifested with the aim of achieving justice in society.

#### 6.3.3.2.3 Employee Benefits

Employee benefits disclosure was found in 14 companies (21% of the sample). Staff and benefit packages, share option schemes, health services, social and sporting entertainment, employee social welfare and house-loans were all topics of disclosure under this category. All disclosures were positive in nature and none of the reporting



companies disclosed any negative news such as redundancies. The following is one typical example of disclosure under this sub-category, indicating facilities made available to employees by the company:

'In the area of health services (for employees), the Medical Centre which was opened last year and equipped with advanced equipment and having specialised clinics was able to treat most of the cases and reduced transfers to contracted hospitals. In the area of 'Social Affairs Saving Fund' [the company] continued to invest the savings and give interest free loans to members. In the area of staff relations' development, the club continued its activities such as sports and cultural programmes in addition to participation in specialised events. ... The club is creating a healthy environment for employees and their families to meet and practice sports in their leisure time.' (SECO-Western annual report 2000).

Some disclosures attempted to highlight religious facilities made available to employees and the family support policies for employees:

'The company continues to provide health care, social, sporting and entertainment benefits to its employees. The company also provides facilities to its employees to attain pilgrimage through bursaries provided by the 'social and sporting club'. Furthermore, the company encourages employees' children that do well in their studies by holding ceremonies and gives children presents as an encouragement to distinguished ones' (Suez Cement Company annual report, p.10).

Financial and quantitative information disclosed in this context was relatively infrequent, with very few companies providing this type of information to support their statements. Below is one of the few examples:

*'In addition to the existing benefits offered to the Qatari employees, which include housing loans, up to QR 0.5 million and insurance policies in case of death and injuries, the company continues its efforts to provide additional advantages to persuade the Qatari youth to join the company and prepare them for the future as they are the real fortune which will remain for the country'. (Qatar National Navigation and Transport Company, 2000).*

#### 6.3.3.2.4 Thanks to employees

The second highest level of disclosure under the 'Employee issues' category was in respect of 'employee thanking and gratitude statements', with 32 companies (47%) of the sample providing such disclosure. Most of the statements were similar in thanking employees for their contribution to company achievements such as the following example taken from the Chairman's Statement of Kuwait Oil Company:

'The Board also extend their thanks to all of the Company's employees whose contributions have played an effective and important role in Company achievements thus far, and have helped make the role of KOC recognised locally, regionally and internationally.' (Kuwait Oil Company annual report 1999, p.11).

Other statements were more carefully and elaborately articulated such as this one from the president of Aramco, a Saudi Oil Company:

'Thanking the Staff: 'Rich human resources make up our company's work force - from the bright-eyed new hires to the canny, experienced professional; from the security guard whose smile welcomes us to work each morning, to the rugged driller toiling in the remote areas, to the sharp-eyed operator in the refinery control room, to the marketing specialist seeking new openings in world markets. It takes this range of skills, personalities, backgrounds and interests to make up a large and complex enterprise like Saudi Aramco.' (President's Message, Saudi Aramco annual report 2000, p.8).

Employee thanking statements on some occasions were extended of valedictions to members of the board who had passed away:

'The Directors regretfully record the passing of Dr Fathy Mohammed Ibrahim, who served on the Board since May 1998 until his passing on 15 June 2000. His wealth of professional insurance and actuarial skills and rich managerial experience was a source of immense strength in the governance of the Group' (Arab Insurance Group annual report 2000, Report of the Board of Directors, p.10).

Other examples are ones such as thanking distinguished employees and employees who have long served the company:

'The Company offers annual incentive rewards to distinguished employees so as to encourage them towards more achievements. In addition, the company distributes awards to those who have long service with the company in appreciation for their efforts they have offered during the period of their employment'. (Kuwait Oil Company annual report 1999, p.24).

#### 6.3.3.2.5 'Nationalisation' of the workforce in the company

Nationalisation of the workforce reached 40%, with 32 companies in the sample disclosing in respect of this issue. All companies that mentioned their success in nationalising the workforce came from the six Gulf States (UAE, Saudi Arabia, Qatar, Oman, Bahrain, Kuwait). Disclosure under this sub-category basically included



statements celebrating the success of the company in increasing the number of the national, indigenous staff within the company's workforce. Disclosures under this category may reasonably be taken to be the most specific and provided the most quantitative information including tables showing the number of local/national workers in the company in comparison to expatriates. The following statements were typical examples of this type of disclosure:

'Emiratisation remained on top of our agenda and various initiatives were launched to attract, train and retain the high calibre UAE nationals. Over 70 UAE nationals joined the bank during the year and all new joiners underwent a structured induction and development process. Workplace opportunities were provided to students trainees in every town and Emirate. As part of community service, the Bank launched a training programme that is designed to equip young UAE nationals to take up jobs in the private sector. Trainees are given the option to join the bank on completion of training'. (Mashreq Bank annual report 2000, p.18).

'I am proud to announce that the number of the Kuwaiti employees in the Company has now exceeded 60%. Plans are in hand to increase this percentage over the coming years in order to transform the National Mobile telecommunications Company into a real national enterprise.' (National Mobile Telecommunication Company annual report 2000, p.5).

'I am proud to state that we were one of the first banks to reach and now exceed, the 90% Omanisation target set by the Central Bank of Oman. More importantly, the Omanisation level at the senior and Middle management level is over 76%.' (Oman Arab Bank annual report 2000, CEO Statement, p.10).

#### 6.3.3.2.6 Details of the workforce in the company.

Disclosure under this sub-category, amounted to 16% of the sample (11 companies). Disclosures classified under this sub-category included numbers of employees in the company, the percentage of indigenous employees to the total number, degrees and qualification of employees and/or the board of directors, numbers of employees hired during the year and the proportion of national employees to international ones.

While disclosure levels under the 'employee issues' category was the highest in this study, disclosures failed to provide sufficient evidence of dialogue and consultation with employees or employees participation in decision-making in the company. Disclosures were positive in general and concentrated on the telling of good news. Employee issues that gained special considerations were 'training and education of staff' and the 'nationalisation of the workforce' (see table 6.7), which, again, indicates

the important issue of educating national young people to take over from the large number of foreign experts.

#### 6.3.3.3 Health and Safety Issues

Health and safety disclosures were poor, made by only six companies (9%). As is the case with environmental disclosure, 'health and safety' disclosures manifested in oil, electricity and manufacturing sectors. Disclosure under this category mainly included information regarding health care for employees, industrial safety and safety training to employees. Only three companies provided information related to accident levels, with one Jordanian company of these three (Arab Potash Company) providing comparative data from previous years. The following is a typical example of disclosure under the 'health and safety' category:

'Guided by the 'Safety First' rule, Company divisions committed significant resources to improving levels of industrial safety and security. The Company continued its cooperative efforts with the Ministry of Defence to clear all of Kuwait's areas from lethal explosive ordnance. These operations covered vast areas of the nation's oil fields and oil lakes...Various Company units continued education programs for employees and contractors designed to increase on-site awareness and knowledge of safety regulations. In addition to participating in group safety committee discussions on state of the art methods to minimise the occurrence of accidents and the loss that resulted from them, the Company continued to issue a wide range of safety and fire manuals, instructional materials and booklets.' (Kuwait Oil Company annual report Health, Safety and Environment section p. 23).

As in the case of environmental disclosers, Arab companies in this sample failed to provide significant disclosure in respect to their health and safety policies and records. Health and safety disclosures were completely absent from financial or services sectors, indicating a lack of awareness among these sectors of the importance of health and safety issues in all types of organisations. The low levels of disclosure under this category could also be attributed to the actual absence of health and safety policies in these companies or the lack of good news or practices that companies would wish of disclose voluntarily.

#### 6.3.3.4 Management Information

Information regarding Board of Directors' names and job titles was disclosed by 48 companies, 71% of the sample. Out of these 48 companies, 10 provided a C.V. and



background information in respect of their Board of Directors members. Only one company in the sample highlighted the names of board members in charge for managing the company's social responsibility matters.

#### 6.3.3.5 Commitment Statements and Managerial Control of Social Responsibility

Disclosure under this category amounted to 35 companies, 51.5% of the sample. A number of companies included social commitment statement(s) in their general policy or mission statements. On other occasions, social commitments were in evidence throughout the report. As in the case of 'environmental commitment statements', social statements tended to be vague, lacking any specific illustrations of corporate objectives, as well as lacking substantial quantitative data or indicators that the company could be held accountable for in the future. Commitment statements varied in length and issues covered. The vast majority of these statements highlighted the social responsibility of the company towards the community in general. Commitment statements towards employees and human resources were also popular. Other topics disclosed included commitments towards suppliers, the government and governmental or national social objectives. One Kuwaiti Finance Institution provided a good example of a policy and mission statement that included most of the above topics:

**'Quality Statement:**

Establishing and maintaining a quality system based on the most recent ISO 9002.

Continually reviewing our products and services, feedback from employees (internal customers) and our customers to ensure that there is continual improvement.

Demonstrating vision, professionalism, transparency and integrity in the conduct of our business and service.

Achieving disciplined growth and reasonable profitability while operating on a sound financial base.

Creating value for our shareholders.

Encouraging, motivating and developing our human resources- our most valuable asset and the cornerstone of the bank.

Working towards the successful implementation of Government objectives applicable to us.

Striving towards and maintaining a pre-eminent position in the banking community in the Sultanate of Oman.' (Bank Muskat annual report 2000, p.3).

**'Mission Statement: We will provide:**

For our customers: Professional relationship banking Comprehensive services for customer needs domestically and internationally efficient customer service.

For our employees: Challenging and rewarding environment. Empowerment to meet customer needs. Career development opportunities.

For our shareholders: Consistently superior return on investment. Recognition and respect in the business community. Professional business management standards.

For the community: Support for the development and social needs of the community.' (Kuwait Real Estate Bank annual report 2000).

A statement provided by a Bahraini/Kuwaiti Finance company's annual reports explained how the company values its social role in the community more than its 'pure business success':

'For over 25 years, Bahrain Kuwait Insurance Company's symbol has generated the feeling of confidence for the community and represented to take care of society in many innovative ways...[T]oday, our balance sheet illustrates this philosophy in action. Our performance demonstrates the attitude of confidence instilled in ourselves as much as we seek to build confidence in society. More than pure business success, what the Company most values today is its wealth of goodwill, the core strength that empowers us to continue enabling the community to strive for more' (Bahrain Kuwait Insurance annual report 2000, p.2-3).

Bahrain Kuwait Insurance annual report, however, fails to provide any detailed information on the company's involvement in society or any information on the mentioned innovative ways in which the company empowers the society and puts its needs first.

Statements expressing commitment to Islamic Sharia and teachings statements were evident in all Islamic Institutions included in the study. Below is an example:

'Kuwait Finance House, with its strong Islamic values, is a financial institution whose aim is to develop and promote Islamic banking worldwide. Kuwait Finance House offers unique yet competitive products and services directed to target markets for both depositors and shareholders. In accordance with the Islamic principles, Kuwait Finance House ensures that while working with the public professionally, the company guarantees an honourable relationship with its client base in particular and the Islamic community as a whole.' (Kuwait Finance House annual report 2000, p.7).

Other types of disclosure that could indicate serious attempts by the company to improve its social performance, such as sub-categories included in table 6.8, were very few.



**Table 6.8 Disclosure indicating company commitment to social matters.**

<b>Sub-categories under the other management commitment category</b>	<b>No of companies (out of 68) disclosing under each sub-category</b>	<b>Percentage %</b>
Acknowledgement of success in achieving targets and performance against benchmarks	2	3
Clarifying key impacts and indicators	0	0
Staff training on social/environmental/sustainable matters	1	1.5
Compliance with regulations and the law	4	6
Information on prosecutions and complaints	1	1.5
Charter subscription	2	3
Status of certification pertaining to economic, environmental and social	0	0
Sponsoring scientific or policy research devoted to social/environmental issues.	1	1.5
Independent verification of the social report	0	0

None of the companies, as seen in table 6.8, provided an independent verification of their social data. The only verification that manifested that could be somewhat considered as a form of social verification is the one undertaken by the 'Sharia (or religious) supervisory board' in Islamic institutions. The board is part of the organisation's internal regulatory system. It is, however, independent from the management of the company (Suleiman, 2003). The board's main role is to provide assurance that institution transactions are in line with Islamic law (Sharia) and to provide opinion about the adherence of new products and projects with Islamic Sharia rules and principles. The assurance provided by the 'Sharia supervisory board' is very vital as if the board conclude that the management has violated the Sharia, the management would quickly lose the confidence of investors and customers (Suleiman, 2003).

Despite the higher level of disclosure under this category compared with the 'environmental commitment statements and control' category, the similarly low quality of disclosures indicate a corresponding – in that disclosures are mostly positive, not verified by third parties and qualitative - lack of serious commitment by Arab companies to address and act upon serious social issues in Arab societies. Such tendency deprive these social disclosures from the opportunity to become more radical or emancipatory.

#### 6.3.3.6 Other General Social Disclosures.

Child labour, forced labour, human rights, freedom of association and right to collective bargaining disclosures were all absent from the 68 annual reports in the sample. Non-discrimination and equal opportunities disclosure made a very modest appearance in only four reports. Below are these disclosures:

' –91% of our employees feel Batelco is a better company to work for than other companies. One of the main reasons for this opinion is that at Batelco employees face no discrimination of gender, marital status and nationality.' (Batelco Social Magazine 2000, p.2).

Statements mentioning female staff and opportunities to them were very rare, with the following three examples being the only ones in the whole sample:

'Saudi female staff comprised 11% of the total workforce' (SABIC annual report Chairman's Statement).

'...As well, we had two of our female staff attend courses run in Germany and France by our reinsurers' (Bahrain Kuwait Insurance Company annual report 2000, p.9).

'In a Saudisation development that benefits not only the company but the Kingdom at large, 20 Saudi women, nine students graduating from the company's first-ever 'Practical Nursing Programme' and 11 nursing students from 'King Faisal University' in Dammam, joined the company's nursing services. Saudi Aramco set up its 'Practical Nursing Programme' in 1999. The KFU nursing graduates studied under the company's College Degree Programme for Non-Employees.' (Saudi Aramco annual report 2000, p.43).

General Social issues that are not directly related to the organisation's activities were discussed by four companies in the sample. Two of these companies (The Saudi British Bank and the Arab Insurance Company) gave a historical description of the ancient Arab Coinages. Below is an example:



‘Thus, there was no Arab coinage before Islam, and coins they used came to them by commercial caravans from Egypt, Syria, Iraq and Yemen. The reference to these caravans are clearly mentioned in the holy Quran and notes that they made both winter and summer journeys’. (Arab Insurance Group annual report p.86).

The third company gave a description of the Arabian horse’s character and beauty (accompanied by photos of the Arabian horse):

‘The Arabian horse is unarguably the most beautiful horse of all; it is unmistakable in character, appearance and utter beauty. It is also the purest and oldest of all breeds, having been carefully bred for thousands of years’. (Export and Finance Bank annual report 1999).

The fourth is a Kuwaiti company which dedicated its annual report in year 2000 to the many Kuwaiti charitable institutions that compassionately serve those with special needs:

‘Finally, it has been our tradition to create a different theme each year for our Annual Report. This year’s Annual Report is dedicated to the many Kuwaiti charitable institutions that compassionately serve those with special needs. As a member of the community, we have a duty to raise public awareness of the important humanitarian work that such institutions provide. While physical constraints prevent us from specifically acknowledging all of the Country’s charitable institutions, we extend our tribute to all those who selflessly dedicate their time and resources for the benefit of our society’. (Kuwait Middle East Finance Company annual report 2000 p.7).

As mentioned earlier, ‘general social’ disclosures were, mostly, narrative/qualitative, emphasising positive and neutral news. Quantitative information and specific data were mostly evident in relation to donations disclosures and some employee related disclosures, such as employee training and the ‘nationalisation’ of the workforce in the company. There was also no evidence of independent verification of the social information in any of the reports. Although disclosures under the ‘general social’ dimension tended to be mostly vague and general, they, in many cases, have provided an insight into some social and ethical issues that are of particular significance to the Arab Middle Eastern societies and context. The researched companies, by disclosing (or not disclosing) on certain issues have allowed us this kind of insight. For example, the emphasis on donations, specifically in the field of education, may be due to the fact that many countries in the sample (if not all) have relatively high illiteracy rates (see the context analysis chapter). This factor, in addition to the high population growth in the region and the high proportion of young people in the population (70% of Saudis are under the age of 30), mean that educating young people and providing them work



opportunities is a very important goal for Arab societies. Other less frequent but equally insightful disclosures are those made by companies on social and historical issues that do not relate directly to company's social activities- such as those in respect of Islamic coinage and the Arab horse. These disclosures emphasise Islamic and Arab pride. They could be companies' way of relating themselves to that pride and, therefore, enhancing their image in Arab societies. Furthermore, disclosures emphasising religious and nationalistic themes that were evident throughout disclosure categories, are an indication of the relative importance of religion and nationalism in the Arab world.

Non-disclosure could also give an indication of the importance or unimportance of particular social issues in the Arab Middle Eastern societies. Child labour, forced labour, human rights, freedom of association and rights to collective bargaining disclosures and equal opportunity disclosures<sup>136</sup> were completely absent or very rare in the 68 Arab companies' annual reports. This could be due to the notion that these issues are not of a significant importance to Arab societies. On the other hand, non-disclosure could also be interpreted to be companies' way of avoiding discussions of highly sensitive issues in Arab Middle Eastern societies such as human rights, freedom of association and equal opportunity (especially for women), which are controversial issues in the context of the Arab Middle Eastern societies that companies may choose not to voluntarily mention.

#### ***6.3.4 Other Cultural Characteristics of the Reports Dimension***

The 'other cultural characteristics' dimension is concerned to highlight other social characteristics of the 68 Arab companies' annual reports that were not fully captured in the previous dimensions considered. These disclosures or characteristics recurred in 53% of the sample. They also, often, re-emphasised what previous sections have indicated to be of apparent importance in the disclosures: religious issues and national objectives.

##### ***6.3.4.1 Starting the report or Chairman/Directors' statements by mentioning the name of God***

Twelve companies (18% of the sample) started the report or the Chairman/Directors' statement with 'In the Name of Allah'. Some companies included this phrase in Arabic

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<sup>136</sup> All very important issues in the western social disclosures.



(Bism Alah Al Rahman Al Raheem), even in the English version of the report (Saudi American Bank annual report 2000; The Saudi British Bank annual report 2000; The Saudi Investment Bank annual report 2000; The National Shipping Company of Saudi Arabia annual report 2000; Faysal Islamic Bank annual report 2000; Egyptian company: Matahen Shareq Delta annual report 1999, Egyptian Company Naser City for buildings, 1999). Other companies used the English translation of the term: 'In the Name of Allah, The Most Gracious; the Most Merciful' (SCECO-West annual report 2000; Kuwait Finance House annual report 2000; Kuwait Real Estate Bank annual report 2000; Qatar National Navigation & Transport Company annual report 2000; Kuwait Oil Company annual report 1999).

#### 6.3.4.2 Evidence of Islamic influence on the style of writing in the report

In twenty five percent of the sample (17 companies), Islamic spirit seemed to influence the style of writing. For instance, a number of companies started the Chairman/Directors' statement with the Islamic greeting 'Al Salam Alikum wa Rahmut Allah wa Barakatuh' (Peace be upon you and His mercy and grace). Even in instances discussing the performance of the company, Islamic influence on writing style was evident. For example:

'The Company has achieved, and by the grace of God, during 1999 a big step in the fields of production and purchases as a result of the increase in productivity after the receipt of the second production line...The Company promises its shareholders to stay, by God's Will, a pioneer and a leader in its field...and God is the one that guarantees success' (Translated from original Arabic to English. Suez Cement Company annual report 1999, Chairman Statement, p.3).

The Chairman's Statement of a Kuwaiti company concluded with the following paragraph:

'We pray to Allah the Almighty to bless our honourable martyrs and grant the release of our prisoners of war and detained brothers and sisters. We also ask Allah the Almighty to inspire us with the proper guidance to serve our beloved country under the leadership of His Highness the Amir Sheikh Jaber Al-Ahmad Al-Sabah and His Highness the Crown Prince, Sheikh Saad Al-Abdullah Al-Sabah' (Kuwait Middle East Finance and Investment Company annual report 2000, Chairman and General Manager's Statement, p7).

One company's Chairman's statement began with the following paragraph:

'Al Salam Alaykoum Wa Rahmat Allah Wa Barakatouh: In the name of Allah, The Beneficent;. The Merciful; Prayers and peace be upon Mohammed, His Last Prophet. May Allah guide us to the right path for prosperity and well being in this world and the world thereafter. I have great



pleasure in presenting the 1999 Annual Report of the Bank covering its global operations for the year 1999.' (Faysal Bank annual report 1999, Chairman's Report, p.5).

A Chairman Statement of an Islamic Bank starts with the following:

'Thanks be to Allah the Lord of all creatures, and prayer and peace be upon the most prominent of all messengers, our Prophet Mohammed, the faithful, and upon all members of his family and his companions and those who tread the same path of righteousness until the day of Judgement.' The Statement concludes with the following: 'Finally, we thank Allah for His blessing and for our success, and pray to the Almighty to give us further success in the future in realising the goals and objectives of Kuwait Finance House, in the best interest of our beloved country, under the wise leadership and guidance of His Highness the Amir, Sheik Jaber Al-Ahmad Al-Jaber Al-Sabah and His Highness the Crown prince and Prime Minister, Sheik Saad Al-Abdullah Al-Sabah, and the Arab and Islamic world.' (Kuwait Finance House annual report 2000, Chairman Statement, p.14).

#### 6.3.4.3 Including verses from the Holy Quran in the report

Four companies in the sample included verses from the Holy Quran in their annual reports. The following are three examples:

An Investment Corporation started its annual report with the following verse from the Holy Quran (Talak Sura, verses 2, 3):

'And for those who fear God (ever), He prepares a way out. And he provides for him from sources he never could imagine. And if anyone puts his trust in God, sufficient is (God) for him, for God will surely accomplish his purpose verily, for all things has God appointed a due proportion' (The International Investor annual report 2000).

Another Islamic Company started its annual report with the following verse:

'In the Name of Allah, the Most Gracious, the Most Merciful: Ye who believe! Fear Allah and give up what remains of your demand for usury, if ye are indeed believers. If ye do it not, take notice of war from Allah and his Apostle, but if ye turn back, ye shall have your capital sums dealt not unjustly and ye shall not be dealt unjustly (the Quran Al Baqara (278-279)).' (Kuwait Finance House annual report 2000).

A Saudi electricity Company concluded their report with the following *Sura* from the Holy Quran:

'In the Name of Allah; The Most gracious; The most Merciful: Our Lord! Perfect our light for us, And grant us forgiveness, For Thou hast power Over all things'. (SCECO-West annual report 2000).

#### 6.3.4.4 Including special thanks to the rulers and governments of the country

Many annual reports, especially in the Chairman or the Management Directors' Reports (or both) included a statement of thanks to the rulers of the country or the people of the



country at the end of the statement or report. In this study, 35 companies out of the 68 (53% of the sample), have made this type of statement in their annual reports.

Below are a number of typical examples:

‘As SABIC prepares to celebrate the 25<sup>th</sup> anniversary of its formation in 2001, we gratefully remember the full support that the Custodian of the Two Holy Mosques King Fahd Ibn Abdulaziz extended to this company’s establishment and growth. That vital Royal support continues even today.’ (SABIC annual report 2000, Chairman and Managing Director Statement, p.11).

An UAE company goes further with its appreciation of their ruler:

‘At the outset, we are extremely exhilarated on the safe return of H.H. Sheikh Zayed bin Sultan Al Nahyan to the homeland following a full recovery to health and well being. We pray to Almighty for his long life and continued sound health. Finally, the Board of Directors, on their own behalf and on behalf of all the shareholders and staff of the Company, would like to express their loyalty and gratitude to His Highness Sheikh Zayed bin Sultan Al Nahyan, President of the United Arab Emirates and Ruler of Abu Dhabi and to His Highness Crown Prince Sheikh Khalifa bin Zayed Al Nahyan for their continued support and encouragement to the national institutions.’ (Abu Dhabi National Insurance Company annual report 2000, Chairman Statement, p5-6).

Another example:

‘I would like to extend my thanks to the Government of Bahrain, the Bahrain Monetary Agency and the Ministry of Commerce for enforcing policies conducive to the operations of Islamic banking which will obviously give strength to the operations of these institutions and provide confidence to interested parties.’ (Faysal Islamic Bank annual report 1999, Chairman’s Report, p.5).

A Syrian company recorded its acknowledgement and gratitude to the encouragement of both the late and present presidents of the country:

‘The care and encouragement of the late President Hafez Al-Assad (may heaven be his last home) to our company since its inception, in addition to the encouragement of our President Dr Bashar Al-Assad to continue in respecting the law and regulations applicable, had pushed us towards success. This success would have not been achieved if it was not for both (President)’s encouragement and caring, especially towards the tourism industry in Syria. We, in Syria, are looking forward to more prosperity, which was made possible by the safe environment in Syria. This safe environment is a result of the policies employed by the late President Hafez Assad, (may heaven be his last home), and continue to exist in the era of Dr Bashar Al Assad, when more growth and developing projects are employed for the benefit of our beloved country.’ (Syria Tourism Company annual report 2000, p.6). (Translated).

Such examples of disclosures re-emphasises the previously discussed notions of the importance of Islam and national considerations for Arab people’s societies. Arab



companies' annual reports, as part of Arab societies, have on many occasions illustrated the impact of these two factors. For instance, starting the report with the name of God or incorporating the mentioning of God throughout the report may be a cultural characteristic of Arabs' way of speaking and writing. It does also indicate a desire to portray a religious or Islamic consciousness to the overall activities of the company. It is worth indicating that this sort of style of disclosure was not limited to Islamic institutions, but manifested in other types of companies annual reports. Statements thanking the Government or the rulers of the country indicate a desire by Arab companies to portray their activities to be in line with the governmental or national objectives and targets. They also indicate the significance of the State in the business environment in the Arab world.

#### **6.4 Discussion and Conclusion**

Previous sections of Chapter Six have elaborated the content analysis findings regarding levels, nature and quality of social reporting manifested in 68 Arab companies' annual reports in the period 2000. The findings of the content analysis demonstrated how most companies in the sample have made some form of social reporting, with only one company not providing any form of what is regarded as social disclosure in this study.<sup>137</sup> The coverage of social information provided by companies ranged from one paragraph to the providing of a stand-alone social report. Out of the four main disclosure dimensions considered in this study (see table 6.1 and appendix 2) disclosure in respect of the 'general social' dimension was the most commonly experienced, with 62 companies (91% in the sample) satisfying at least one category and/or sub-category under this dimension. The majority of reporting under the 'general social' dimension was in relation to the 'employee issues' category, with 75% of the companies in the sample providing some form of employee information as understood here. The second highest level of social disclosure was provided under the 'economic' dimension (as understood here), with 47 companies or 69% of the sample reporting under this dimension. The most popular area of disclosure under the 'Economic' dimension was the 'Customer Relations' category, with 30 companies disclosing some form of customer related information. The 'other social characteristics of reports' dimension (see appendix 2) level of disclosure came third, with 35 companies or 53% of the

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<sup>137</sup> Any company that satisfied at least one disclosure category or sub-category was regarded as a 'reporting company'.



sample satisfying one or more of this dimension's categories or sub-categories. The poorest level of disclosure was recorded under the 'environmental' dimension, with only ten companies in the sample providing some form of environmental information. The vast majority of these companies fell under the Oil and Industrial sectors.

In general terms, the majority of social disclosures provided by the 68 companies in their annual reports were of a qualitative nature with quantitative information provided concentrating mainly on employment training, charities and donations, and, less often on amounts relating to governmental and Islamic concerns. Financial disclosures concentrated mainly on using conventional types of financial disclosures especially expenses related to employees' benefits and amounts of donations provided to charitable bodies in society. Islamic related financial disclosures were provided by ten companies in the sample, with the majority of these being in respect to liabilities for Zakat. Disclosures were also mainly positive in orientation, with hardly any reference to any negative or 'bad' news information in any of the reports. In all dimensions, disclosure themes relating to social and other cultural particularities in Arab societies were in evidence. For instance, Islamic and nationalistic/governmental considerations were emphasised in a number of reports in the sample. All social information provided was done so voluntarily, with the exception of the disclosing of Zakat liabilities by Saudi companies, which is required by law in Saudi Arabia.

On the face of it, the results of the content analysis carried out in this study have some similarities and are comparable with most CSR content analysis studies carried out on UK companies.<sup>138</sup> For instance, Gray *et al.*'s (1995b) study, probably the most comprehensive content analysis study of corporate social and environmental reporting in the UK (for the period between 1979-1991), and this study, found that employee related disclosures were the most common theme on which to report on in the period studied. Community disclosure was also widely practised. Customer related disclosures, however, seemed to be less emphasised in Gray *et al.*'s (1995b) sample than in this current study. Gray *et al.*, (1995b) observed that customer-related disclosure remain 'very low' in the UK sample. The higher level of disclosure in annual reports of Arab companies relating to customer relations is most likely due to the policy of making new efforts towards market liberalisation and in respect of the encouragement of private

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<sup>138</sup> Anything like comprehensive content analysis studies regarding social reporting in companies of the Arab Middle East are scarce. Furthermore, content analysis studies in respect of social reporting practices



capital in the Arab world. This is driving companies to attempt to demonstrate more their customer orientated policies. Environmental disclosures by companies in this current study appear to be at a much lower level than reported in the UK study. Gray *et al's* (1995b) study noted that environmental disclosure rose significantly throughout the period (1979-1991) and was no longer a 'marginal activity' after the mid 1980s. This is not the case, however, in this current study where environmental disclosure appeared to be a marginal activity, carried out by a small number of companies in the sample in the Oil and Industrial sectors. The low level of environmental disclosure by Arab companies may well be due to most of the companies in the sample falling under the finance and other services' sectors or light industries (see appendix 1b), where issues such as environmental protection and energy savings are not viewed with the same weight of concern as Oil and Industrial companies. It could also be that companies in the Arab world are not facing enough pressure to undertake environmental disclosure.

While apparently the findings of this current study are consistent with Gray *et al's* (1995b) study, a deeper analysis of the content analysis findings under these studies demonstrates the important influence of focal contextual factors on the nature and level of disclosure. For example, while both studies report that employee related disclosures are clearly the most popular disclosure by UK and Arab companies, themes discussed under the 'employee issues' category are different in both studies. According to Gray *et al's* (1995b) study, 'employee related disclosure' was dominated by 'employment data' plus 'employee other' disclosures, including 'thanks to staff' and 'discussion of redundancies'. On the other hand, the most popular disclosure themes under the 'employee-related issues' in this current study were disclosures relating to the 'training and education of staff', especially national and indigenous ones. This was followed by 'thanks to employees' and the 'nationalisation of the workforce of the company'. The difference in themes emphasised under 'employee related issues' disclosures between the two studies could give an indication to the critical social issues in the societies of the UK and the Arab world. Arab companies seemed to be emphasising their positive contribution to the education and employment of young native people in their societies, where population growth and employment is an issue of great importance in Arab societies.

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in other non-Western countries are also very few, which makes it difficult to compare the results of this study with non-Western studies.



As far as the quality of social reporting is concerned, again, Arab companies' social reporting practices discussed in this study seem to be similar to the practices in the UK as elaborated in the majority of UK studies. UK studies into social and environmental disclosures have, as well, concluded that the narrative form of disclosures was the most common with very little quantitative information (Gallhofer *et al.*, 1996; Gray *et al.*, 1995b). Furthermore, UK studies have reported that the majority of disclosures were of a 'positive' or 'neutral' nature, with hardly any reference to 'bad' news. For instance, in the case of social/environmental 'commitment statements' in corporate annual reports by UK companies, a number of UK studies concluded that social/environmental statements in UK annual reports tended to be general, lacking any specific information. Gallhofer *et al.*, (1996) in their analysis of environmental disclosure by the top 50 UK companies in the year 1993, suggested:

'..statement of intent made in the annual reports are quite vague, not being elaborated in terms of specific targets that the company aim to achieve and be held accountable for.' (Gallhofer *et al.*, 1996, p.77).

Similarly, Harte and Owen (1991) in their analysis of UK environmental reporting in 30 UK companies at the end of June 1990 observed that while they believed that there had been a general increase in the level of environmental disclosure over the years, there was still little detailed environmental information provided in the annual report. They explained that they have seen more reporting of 'general philosophy' than 'detailed reporting of environmental impact'. Likewise, comparative social disclosures, compliance with legal requirements and externally audited social and environmental disclosures made very modest appearances in UK annual reports (Gallhofer *et al.*, 1996; Harte and Owen, 1991, p.55).

Harte and Owen (1991) maintain that this poor quality of environmental/social reporting is due to much of the disclosure in the UK appearing to be linked to the development of an image. UK companies' disclosures, according to Harte and Owen (1991), attempt to imply that it is good for both customers and shareholders that the company is environmentally aware, rather than representing a commitment to the concept of public accountability. As a result, Harte and Owen suggested that social information provided within UK annual reports tends not to be directly related to the quality of actual performance and can indeed be positively misleading. Other studies agreed with the above argument, Gallhofer *et al.* () have also explained that annual reports are more of a



'public relations' exercise (in the negative sense), rather than integral to a genuine and serious attempt to tackle green issues. In the same vein, Gray *et al.* (1995a) suggest that the limited amounts of references to the companies' policies indicated that the annual report is used as some form of promotional device, and suggest that providing a serious account of the company's social performance to external stakeholders is not a priority (cited in Tilt, 2001, p. 205). Adams *et al.* (1998), in a study of CSR in six countries in Europe, also suggested that CSR is being used to improve image or reputation of companies and as a justification for not introducing more social legislation or regulations. This, they explain, may be a result of annual reports being aimed at individual shareholders in the UK, with private individuals being a significant source of capital, bearing in mind the fact that there is little regulatory demand for CSR. Adams *et al.* (1998) concluded that voluntary disclosure in the UK has little to do with social responsibility and accountability but may be seen as a useful way of reinforcing the government's free market ideology and anti-legislative stance.

UK studies, similar to this current study, have also noted the lack of third party independent verification of social reporting as defined in this study. Gallhofer *et al.* (1993) note that only 18% of companies in their sample had their environmental disclosures audited. Owen and O'Dwyer (2004), in a more recent study, critically analysed assurance statements appearing in leading edge environmental, social and sustainability reports as presented by those short-listed for the 2002 ACCA UK and European Sustainability Reporting Awards Scheme. They noted that there seems to be some improvement in terms of the rigour of work undertaken and independence of the assurance exercise. The study, however, exposed a large degree of management control over the assurance process, as evidenced by a reluctance to address statements to specific stakeholder constituencies and a general absence of stakeholder participation in assurance processes. As far as Arab companies' annual reports are concerned, they did not include any independent verification (or assurance for that matter) statements regarding their social disclosures as defined in this study. The complete absence of third party independent verification statements in Arab companies' annual reports does little to improve the trust in and the credibility of social information presented in these reports.

It is reasonable to conclude that in many cases similarities in the level, nature and quality of social reporting between Arab and UK companies are due to corresponding factors. For instance, as in the case of UK social disclosures, social disclosures in Arab



company annual reports are substantially voluntarily. As seen in Chapter Five, there are little legal or mandatory requirements for social disclosure, as emphasised in this study, in the nine Arab countries in the sample. Furthermore, the majority of companies in this study are public companies owned by private shareholders. This arguably explains why, relative to companies with a significant state share, their annual reports are aimed mainly at shareholders rather than the broader groups of stakeholders in society. These factors combined explain the narrative, vague and positively slanted nature of social reporting among Arab companies where, like UK companies, reporting appears to be largely undertaken for reputation and image building rather than in support of any serious attempt at transparency or the demonstration of public accountability. The Western style, business-led voluntarist approach to social reporting by Arab companies has allowed these companies to largely displace important disclosures such as environmental and health and safety disclosures from the public domain. The lack of a regulatory framework that requires reporting on substantive social issues or compliance with radical initiatives that would improve the quality of social reporting contributed to the maintaining and support of the status quo, rather than challenging it. Therefore, as in the case of social accounting practices in the Western context, such as that of the UK context (see Chapter Three), social reporting is mobilised to service companies' business interests. The concentration of social reporting by the Arab companies in the sample on the telling of the good news plus the absence of substantial verification of this news, have countered more progressive forms of social accounting - forms where social accounting and reporting is supposed to play an emancipatory role in society through functioning as a 'system of informing' (Gallhofer and Haslam, 2003) that allows for transparency and the provision of information to enlighten and empower societies and move them towards a better and fairer state of social affairs.

Social themes discussed in Arab companies' annual reports re-emphasise the importance of some key social issues discussed earlier in chapter five. On many occasions, as seen in exploring the previous sections of this chapter, social disclosures tended to emphasise nationalistic and religious considerations that would not usually be evident in UK or Western annual reports. For instance, as seen in explaining the 'economic' dimension, a number of Arab companies were willing to build business decisions on Islamic and/or governmental planning and objectives. These Islamic and nationalistic considerations were also evident in closely exploring the other three disclosure dimensions. Emphasis on Islamic and national considerations is due to a



number of contextual factors. For instance, Arab countries that were under the colonial influence of Western powers, after gaining their independence, moved to nationalism and a centrally based economy, with state-owned enterprises coming to dominate large segments of many of these countries' economies. Even with the current movement towards privatisation and the open market economy, the state in these countries still has a significant influence on corporate activities. The findings of this study have demonstrated this importance of governmental role and objectives with many companies in the sample providing information regarding their support of governmental policies and objectives, and including statements thanking the government and rulers of the country. Islam has even a more significant and long standing role in Arab countries societies. From the sixth century onwards (see Chapter Five) Islam has been a significant factor in shaping the political, social, cultural and economic lives of people in the Middle East. Muslims believe that all their activities, including business ones, should be conducted in accordance with Sharia teachings. It is not surprising then to find that a number of Arab companies, in respect of all four disclosure dimensions in this study, were apparently enthusiastic about disclosing their commitment to Islamic considerations or Islamic Sharia in different aspects of their activities. It is equally not surprising for them to stress this commitment by using styles of writing or including verses from the Holy Quran that reflect Islamic considerations.

One may not unreasonably argue that these disclosures are made to enhance companies' image in Arab societies where religion and national considerations are central to their major stakeholders, including the shareholders. After all, the majority of disclosures recorded in this study are positive in nature, and lack substantial disclosures in the way of negative or critical commentary. Disclosures demonstrating sensitivity to Islamic and national considerations could, however, constitute a more emancipatory potential for accounting/social accounting and reporting in the Arab world context and beyond. Incorporating national and Islamic considerations into companies' reports may be challenging to the conventional view of the role of accounting information and provide a promising potential to go beyond its conventional alignment to the goals of serving the maximisation of shareholders' value. For instance, currently central to Arab governmental economic policies and planning are issues such as creating employment opportunities for members of society, achieving lower illiteracy rates and providing more training opportunities for young people as well as improving the overall welfare of the society as a whole. Incorporating these objectives in corporate business activities



would consequently challenge the view that the role of business in society is mainly to generate profit and maximise shareholders' value. In a similar fashion, incorporating Islamic teachings and Sharia into companies' policies and reporting practices entails the involvement of rich Islamic values and principles (see Chapter Four), central objectives in relation to which include establishing justice and promoting social welfare through obedience to God's commandments (Ibrahim, 2000). Islamic Sharia, for example, requires adherence to certain values when conducting business activities such as justice, kindness, honesty. Sharia also requires the avoidance of negative values such as tyranny, greed and extravagance or harm to self and society (see Chapter Four). Accounting and accounting information, therefore, in an Islamic context, are expected to participate in the achievement of Sharia objectives, which go beyond the maximisation of wealth to specific groups in society.

Despite the emancipatory potential of Islamic and national consideration disclosures to challenge the conventional repressive role of accounting in society, the voluntary and ad-hoc nature of these disclosures currently counters any serious challenge to conventional accounting. As seen in Chapter Five, none of the nine Arab countries in the study has introduced any disclosure requirements that would regulate or bring consistency to Islamic or national related disclosures. Despite the increased interest in Islamic accounting, Western accounting models are still dominant in the nine Arab countries in this study. While Arab countries gained their independence, the colonial experience has already shaped their political and economic development including their accounting system(s). These systems are an extension to Western systems that are predominantly developed to suit the Western context (Samuels and Oliga, 1982). Arab countries, therefore, have had little opportunity to develop accounting systems that suit their own development plans or social, cultural and religious needs. Western accounting systems, as seen in Chapter Five, have continued to gain prominence in the modern Arab world. The Eurocentric nature of IASs and the blindness of these standards to information needs other than those of shareholders, have resulted in the situation whereby accounting regulations and practices in the Arab world do not require the inclusion of any social, whether national or religious, considerations in reporting. Even when corporate social responsibility and social accounting are promoted to the Arab world, they are promoted on the grounds that they are voluntary managerial tools for enhancing corporate image, management control and profitability. They are not

promoted as drivers for social change or as contributors to a 'radical critique' of the current socio-political order.

This situation results in Arab companies' disclosure practices not complying with a number of social and religious principles key to the Arab culture. For instance, displacing substantive social issues from disclosure contradicts the Islamic concept of accountability, where business organisations have the obligation to report to the Umma on the impact of business activities on the welfare of the Umma, and advise the Umma on the consistency of its operations with Sharia and how it was achieved (Maali *et al.*, 2003; Haniffa, 2004). The voluntary approach does not require companies to disclose on the contribution of their activities to social or national development and welfare. The Eurocentric nature of international accounting models adopted in the Arab world has contributed to the prevention of some cultural and social factors in Arab societies in employing a more progressive and emancipatory form of accounting and social accounting. Social reporting manifestations in Arab annual reports in this study, consequently, fail to provide a significant 'radical critique' to the current socio-political order in the Arab world, where there is an increasingly steady move towards open market and capitalistic policies, that would make Arab societies prone to capital interests and manipulation. Social reporting manifestations in Arab companies annual reports are, therefore, 'mildly progressive'. As in the case of Western practices they are orientated towards a 'repressive/counter radical' form of social accounting, rather than an 'emancipatory/radical' form. Arab companies and Arab regulators should work together to enhance the emancipatory and radical potential of social reporting in Arab societies. They can abandon the uncritical acceptance and adoption of Eurocentric accounting practices and begin to incorporate elements of their cultural and social particularities that would move their practices towards a more 'radical/emancipatory' form of accounting/social accounting.



## **Chapter Seven**

### **Context Analysis of Syria**

#### **7.1 Introduction**

This chapter seven commences with a contextual analysis of key and relevant dimensions of the socio-political and economic environment of Syria. The contextual analysis covers the period since the fall of the Ottoman Empire up until recent events in Today's Syria. The contextual analysis also covers some key aspects of the modern history of accounting development in Syria and the current accounting regulatory framework that regulates public and private sector companies there. The contextual analysis aims to aid in the understanding of the current position and status of accounting/social accounting in Syria. It also aims to gain insights into social factors that may be shaping Syrian accountants' perceptions and attitudes towards social accounting and envisioning a wayforward for the betterment of accounting/social accounting practices in Syria and beyond.

#### **7.2 Syria's Political, Social and Economic Context**

##### **7.2.1 Syria's Political Context**

Syria, or the 'Cradle of Civilisations' as it is known to the Arab world, is home to some of the world's earliest civilisations (the cities of Damascus and Aleppo both claim to be the oldest sites of continuous settlement in the world).<sup>139</sup> The country played a pivotal role in the early history of both Christianity and Islam, and boasts a rich past which encompasses the architectural and the cultural influence of the Romans, the early Arabs, imperial Turkey and colonial France (Beattie *et al.*, 2001).<sup>140</sup> Before 1918 the term 'Syria' was rather loosely applied to the whole of the territory now forming the modern states of Syria, Lebanon, Israel (Palestine) and Jordan. To the Ottoman, as to the Romans, Syria stretched from the Euphrates to the Mediterranean, and from the Sinai to the hills of southern Turkey, with Palestine as a smaller province of this wider unit (Hourani, 1991; Europa Regional Surveys of the World, 2003). Therefore, politically,

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<sup>139</sup> Damascus is claimed to be the oldest capital city in the world, having been continuously inhabited since about 2000 BC, and Aleppo may be even older (Europa Regional Surveys of the World, 2003).

<sup>140</sup> Syria has been the keystone of the Middle East for over 3500 years. Lying between the Mediterranean and the Euphrates, it has served as a trade rout between the Occident and the Orient. As a result, Syria's ancient and modern history has been shaped by its regional location. It has been subject to constant regional and international competition and has for most of its political existence remained under the tutelage of foreign powers. Syria has been part of the Assyrian, Chaldean, Persian, Greek, Roman, Islamic, Seljuk, Mongolian and Ottoman Empires (Quilliam, 1999).

modern Syria is a result of boundary drawing by the old colonial masters of the region, France and Britain (Beattie *et al.*, 2001).

### 7.2.1.1 The French Mandate on Syria

Early Western influence on Syria manifested way before the start of the French mandate, through trade, through the protection of religious minorities, and through the cultural and educational efforts of missions and schools (Houranis, 1991; Europa Regional Surveys of the World, 2003). Contemporary direct and more significant Western influence, however, came with the start of the French Mandate on Syria in 1920. After centuries under Ottoman rule, Arab nationalists hoped that the end of the First World War (1914-18) would mean the creation of a greater Arab Kingdom.<sup>141</sup> The Arab leaders fully expected liberation to be followed by the creation of independent Arab states, as had been promised. Unknown to them, the British and French governments had signed the secret Sykes-Picot agreement in 1916, which divided the Arab lands between them (*supra*, chapter five). In July 1920, French forces entered Damascus and established the French Mandate on Syria under the auspices of the League of Nations (OBG, 2003; Regional Surveys of the World, 2003).<sup>142</sup> Despite the French imperial policy to weaken resistance in Syria,<sup>143</sup> unrest and resistance continued and became open revolts in 1925-26, during the course of which the French twice bombarded Damascus (Europa Regional Surveys of the World, 2003). After years of bloody confrontations, the French government, in 1941, promised independence for Syria and the end of mandatory rule. The reality of power, however, was still withheld, with the effect that nationalist agitation, inflamed by French reluctance to restore constitutional rule and by economic difficulties owing to the war, became even more pronounced. It was only on April 17<sup>th</sup> 1946 that the French forces evacuated Syria (OBG, 2003, Regional Surveys of the World, 2003).<sup>144</sup>

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<sup>141</sup> By 1914, Arab nationalist sentiment had made some headway among the educated professional classes, and especially among officers in Syria.

<sup>142</sup> The French separated their territory from British-administrated Transjordan by drawing a rule-straight line across the desert (Beattie *et al.*, 2001).

<sup>143</sup> The French authorities were suspicious of the potency of Arab nationalism as a tool for challenging their administration. Furthermore, the French knew that the majority of the Muslim population resented their rule (Europa Regional Surveys of the World, 2003). Consequently, in order to inhibit Arab nationalism and Islamic resistance from developing, the French authorities operated an imperial policy of divide and rule (Quilliam, 1999).

<sup>144</sup> April 17<sup>th</sup> is modern Syria's independence day.



### 7.2.1.2 Independence and Pan-Arab Characteristic of Syria

Despite the French policy of divide and rule, Arab nationalism was the one point of unity that had pulled the population together in their struggle for independence. Arab nationalism (see chapter five) even after independence, continued to provide the Syrian leadership with the cement to adhere the Syrians to one cause. This cause was pan-Arab in character, and circumvented the issue of the central authority of the Syrian state (Quilliam, 1999). After only two years of independence, Syria was confronted with a new form of imperialism, the creation of Israel in Palestine (Quilliam, 1999). The need for Arab nationalism was stronger than ever, and the ideology of the Ba'th party, founded in 1947, represented a more visionary form of Arab nationalism. Freedom, socialism, and unity formed the political trinity of the Ba'th party.<sup>145</sup>

The Ba'th party's policy of Arab unity resulted in a unity scheme between Egypt and Syria in 1958, known as the United Arab Republic (UAR) (Hourani, 1991; Quilliam, 1999).<sup>146</sup> Nevertheless, as a result of Syrian dissatisfaction with the Egyptian dominance, a military coup occurred in Syria on 28 September 1961 that aimed, successfully, at the separation of Syria from Egypt and at the dissolution of the UAR. On 25 April 1964 a provisional constitution had been promulgated, describing Syria as a democratic socialist republic forming an integral part of the Arab nation (Hourani, 1991). Syria, during the period 1961-1971, witnessed a period of internal political unrest, but the significant event was the Arab-Israeli war of 1967 when Israeli forces made rapid advances and occupied Sinai in Egypt, the West Bank and Gaza in Palestine and the Golan heights (a town about 65km from Damascus) in Syria (Quilliam, 1999; Europa Regional Surveys of the World, 2003). In March 1971, and following the amendments to the provisional constitution in February, 1969, General Hafez Assad became president of Syria for a seven year term. On 10 June 2000, president Hafiz

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<sup>145</sup> The goal of freedom was fundamental to the spiritual renaissance of the Arabs, and it called for the rejection of imperial tyranny. The socialist component of Ba'thism was devised to remove the means of production from the bourgeois class and the landed elite. Regeneration required the levelling of social and economic distinctions within the Arab society. The final encompassing element of Ba'thism was unity. Arab unity was the key factor in the realisation of Arab civilisation (Quilliam, 1999). The ideology of the party was expounded in the constitution that saw the Arab world as a single eternal nation. The term Ba'th, meaning renaissance or rebirth referred to the effecting of a fundamental change in the spirit of the Arab people, which would lead to reconstruction of the glorious Arab civilisation (Quilliam, 1999).

<sup>146</sup> The Syrian National Assembly, in November 1957, passed a resolution in favour of union with Egypt. The formal union of Egypt and Syria to constitute one state manifested on 5 February 1958. President Gamal Abd An-Nasser of Egypt, on 21 February, became the first head of the combined state. On 13 October Syria again became a member of the UN. A provisional constitution was promulgated in



Assad died following a heart attack. On 11 June a decree was passed promoting Bashar Al-Assad (son of the late president) to commander-in-chief of the Armed Forces and, hence, president (Hourani, 1991; Europa Regional Surveys of the world, 2003).

## ***7.2.2 Syria's Social Context***

### ***7.2.2.1 Demographics, People and Population***

Most Syrians are Arabs, though there is some degree of diversity.<sup>147</sup> Syrians are divided more on religious than on ethnic grounds. Although the majority are followers of Sunni Islam, there is a large Christian minority plus a tiny number of Jews (Hourani, 1991; Beattie *et al.*, 2001; see table 5.1 in chapter five). Arabic is the mother tongue to 85 to 90% of Syria's population and the standard language of everyday Syrian life (OBG, 2003).<sup>148</sup> Due to rapid urban migration in recent years, over 50% of the population now lives in cities (OBG, 2003). Syria's annual population growth rate of 2.6% (2002), down from 3.4% a few decades ago, remains one of the region's highest. Syria has a young population with over 40% of all Syrian's less than 14 years of age and almost 57% between the ages of 15 and 64 (OBG, 2003). Official literacy rates are 93% and 78% for males and females, respectively. School attendance for children between the ages of six and 12 is obligatory (OBG, 2003). Female university students in Syria make up half the students population. Furthermore, the status of women in Syria has been distinguished in the Arab world. Women have always played a prominent role in the social, economic and political life of the country, with around 14% of the Syrian parliament constitutes of women. They have also served the nation as ambassadors, ministers, doctors, engineers, pharmacists and writers. Among Arab states, Syria is one of the few countries that demands equality of the sexes in wages and salaries, and has made commendable efforts to accommodate working women, by providing nurseries, kindergartens and other services to meet their needs (OBG, 2003, p.23).

### ***7.2.2.2 The Environment in Syria***

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November and elections for a constituent Assembly took place on 1 December 1961 (Quilliam, 1999; Europa Regional Surveys of the World, 2003)

<sup>147</sup> . In Aleppo, for example, you will find significant numbers of Armenians and Turks. The greatest concentration of non-Arabs, however, is in the north-east, where Kurds live.

<sup>148</sup> In addition to Arabic, Armenian is frequently spoken in Aleppo and Kurdish in the country's northern regions, where there are also pockets of Aramaic and Circassian. In terms of foreign languages, the older generation often speak some French, while English is widely understood among the younger generation (OBG, 2003, p.10).



In recent years, Syria has entered a period of increased economic production and a high rate of population growth. These have put pressure on scarce resources, especially on arable land, fresh water and cultural heritage (Ministry of State for Environmental Affairs, 2000). The natural population growth and the migration from the countryside to the cities led to a particular increase in the population of the urbanised areas, in particular of Damascus and Aleppo (Ministry of State for Environmental Affairs, 2000).<sup>149</sup> This pressure has given rise to severe environmental problems in Syria, including intensive cultivation, especially through the increase in irrigated crops that now account for 85-90% of fresh water consumption, increasing pressure on the biological resources, increasing demand for domestic potable water (growth at 4.2% per year), increasing urbanisation that has led to crowded urban sprawl and a decline in living conditions, over hunting, over grazing, over fishing and increasing industrialisation with subsequent high energy demands, and excessive pollution waste (Ministry of State for Environmental Affairs, 2000).<sup>150</sup>

The Syrian government, recognising these serious environmental problems, has tried to deal with the issue on both regional and international levels.<sup>151</sup> Recently, in the summer of 2002, an environmental law enhancing the powers of the Ministry of the Environment was issued. The law sets forth the duties of the ministry, making several procedures obligatory and requiring that guidelines for environmental standards be issued (OBG, 2003).<sup>152</sup> While these new environmental regulations are a major step forward for Syria, when the national plans and projects to be carried out by the various ministries are considered, environmental considerations are not one of the basic parameters. It is often after a plan or a project is produced and implemented by a specialised sector that consideration of its environmental implications takes place. It is clear that unless the newly prepared industrial reform plans take environmental considerations into account

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<sup>149</sup> Human settlement has always been concentrated on the fertile valleys along the banks of rivers. Nevertheless, increasing demands for natural resources has exceeded the sustainable capacity of these areas, while waste from human settlements and industrial areas have further harmed the environment (Ministry of State for Environmental Affairs, 2000).

<sup>150</sup> Other serious problems include soil degradation, lack of public awareness of environmental issues, lack of industrial zones, coastal degradation, contamination and dissipation of water resources, poor air quality, the growth of illegal settlements, inappropriate solid waste disposal and degradation of biodiversity (Ministry of State for Environmental Affairs, p.4, 2000).

<sup>151</sup> At the regional level, in the late 1980s Syria was one of the first countries in the Arab League to establish a Ministry for Environmental Affairs. This was followed by the establishment of Environmental Directorates in almost all of the country's 14 provinces. At the same time, several training programmes were carried out in co-operation with UNDP, the European Commission and the Swedish International Development co-operation Agency (SIDA), in order to provide technical assistance to the newly recruited engineers and managers (OBG, 2003).



while they are being formulated, environmental damage could eventually jeopardise the goals they seek (OBG, 2003). Furthermore, the law marginalises the contribution that various sectors of the community and the economy can make to the protection of the environment (OBG, 2003).

### *7.2.3 Syria's Economic Context*

The Syrian economy, as Quilliam (1999, p.46) explains, 'is most accurately described as state capitalist, where the state exercises control over strategic industries but allows the private sector to operate in a controlled market'. According to Quilliam (1999), economic growth in Syria has been constrained by limited natural resources and political instability in the region. Syria, unlike its neighbours, is not blessed with the same large quantities of natural resources, such as land and oil. Oil was first discovered in Syria in 1956 but it was not until 1986, when the Tayyim field started production, that Syrian oil became more profitable (Quilliam, 1999, Europa Regional Surveys of the World, 2003). Quilliam (1999) explains that the four main sources of income for the modern Syrian economy are: agriculture, the mining industry, manufacturing and foreign aid.<sup>153</sup> Agriculture retains a significant position in the Syrian economy.<sup>154</sup> As a result of the oil boom, however, and the stress on industrial production, by the end of the 1970s the emphasis of the economy had gravitated towards a manufacturing and commercial base. Despite government efforts to restore agriculture's role in the Syrian economy, this transformation has not taken place (Quilliam, 1999). Syria's main mineral industries are crude oil production and phosphate rock extraction (Quilliam, 1999; Europa Regional Surveys of the World, 2003).

#### 7.2.3.1 Pre-Independence Period

For nearly 400 years, and until the end of First World War, Syria was part of the Ottoman Empire. After the end of the First World War, Syria became a French mandate and continued to be so for nearly 25 years. There is no doubt that Syria's economic

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<sup>152</sup> The Ministry of Environment has recently been granted a substantial budget and other ministries have also set aside part of their budget for environmental protection (OBG, 2003).

<sup>153</sup> Foreign aid and finance have contributed substantially to the Syrian economy. Foreign aid, as a source of state revenue, has risen by an estimated 400% since 1991. As the front-line state in the Arab-Israeli conflict, Syria has been the recipient of foreign aid from the Gulf Arab states and foreign aid accounted for 40.9% of state revenues in 1979 (Quilliam, 1999, p.52).

<sup>154</sup> The agricultural sector employed about one-third of the economically active population throughout the 1990s; the sector engaged some 28.4% of the total labour force in 1999. In 2000, agriculture contributed 24.1% of Syria's GDP at current market prices (Europa Regional Surveys of the World, 2003).



development during that period was influenced by the economic developments and interests of its colonisers (Meri, 1997). In modern history, Western interests penetrated Syria even before the beginning of the French mandate in 1920. During the Ottomans' rule of Syria (1516-1918), many parts of the Ottoman Empire were under the English, French and German imperial influence (Seba'ee, 1967, cited in Meri, 1997, p.III). Seba'ee (1967) explains that, during the period 1850-1914, Turkey's external debt to Britain, France and Germany amounted to 88.20% of Turkey's total external debt. When Turkey announced its bankruptcy in 1875, the three countries enforced their control and influence in the area and established a 'Formal Western Authority' in the heart of the Ottoman Empire to guard their interests and collect their debt. Syria's economy, as part of the Ottoman Empire during that period, was, in effect, controlled by Western (especially French) capital and interests. Investments taking place in Syria were largely directed to meet Western powers' imperial interests (Meri, 1997). The banks and corporations in Syria during that period were mainly British and French. Economic and business activities in Syria were directly controlled and mobilised to meet the imperial interests of these Western institutions and their own governments (Seba'ee, 1967). Syrians, on the other hand, mainly worked in agriculture, with 60-70% of Syrians working in this sector. Trade and industry were not encouraged in the country as a result of the monopoly of Western institutions in these sectors and the lack of experience and technology and the fact that Europe did not bother to bring training and technologies to Syria (Meri, 1997). The Syrian economy was further devastated with the outbreak of First World War and the use of Syrian resources, including people, to support Turkish forces (Meri, 1997).

The French occupation of Syria<sup>155</sup> began in 1920 by declaring Syria a French mandate. Western monopolies at the time used the French mandate system in Syria to act as a management tool to impose royalties and unjust conditions on Syria and its people (Seba'ee, 1967). France, during its mandate on Syria, worked on breaking Syria into small provinces (Douilat) to be able to control it better. France also imposed very stringent tax and customs policies that did not match Syria's development needs. In addition, key investments were allocated to Western corporations, as well as imposing unfair concessions that allowed for the use of Syria's resources to meet the French

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<sup>155</sup> The term Syria during this period stopped including all of the Levant countries. Palestine and Jordan were cut out of Syria and came under the British mandate. The Mousel area was given to Iraq, which was under the British mandate. Some of the Northern area of Syria was also given to Turkey. Lebanon became a separate state, joining Syria, however, as one unit during the French mandate (Meri, 1997).

Western capital and economic interests (Meri, 1997). The French capital, also, established French banks in Syria in order to be able to control French investments there. In 1918, the 'Syrian French Bank' was established and in 1919 'Syria and Lebanon bank' was also established. These banks were established by French companies, which made sure that investments in Syria were mobilised to secure French interests in the country (Meri, 1997). Furthermore, economic experts and analysts were brought from France to carry out feasibility studies regarding investment opportunities in Syria, whether financial, industrial or agricultural (Seba'ee, 1967; Meri, 1997).

#### 7.2.3.2 The Period After Independence

When Syria gained its independence in 1946, the 'National Syrian Government' found itself faced with the huge task of rebuilding Syria. While colonial troops left the country, Western imperialism in Syria manifested through Western corporations and capital that remained in control after independence (Meri, 1997). The new national government understood that it needed to get rid of this foreign capital to be able to rebuild its national economy in line with its national interests and national development. This task, nevertheless, was very difficult as national investment was very small in comparison to Western, especially American, French and British investments. These Western investments were concentrated in oil, tobacco, transportation, banking and electricity (Seba'ee, 1967; Meri, 1997). The 'Syrian National Government' carried out negotiations with the French government demanding that the French transfer all their investments in Syria to the Syrian government. After long discussions and negotiations between Syria and France, the Syrian government took charge of the legal system and the juristical management of Syria, which marked a keystone for Syria's autonomy (Meri, 1997). Nationalisation was part of the Syrian government's efforts to liberate its economy from foreign capital control. The first to be nationalised was the transportation sector, followed by electricity and water companies in 1951. The government mainly nationalised French and Belgian companies, while it intervened in other foreign companies' operations through the issuance of legislative decree No. 151 in 1952 that required foreign companies operating in Syria to appoint Syrian citizens to represent them. These companies were also to have Syrian partners representing two thirds of the ownership of these companies. The main purpose of these legislative codes was to give a national spirit to businesses in Syria (Meri, 1997).



During Syria's three-years union with Egypt from 1958-1961 and the creation of the UAR, further agrarian and nationalisation reforms were introduced. The country's first five year plan was inaugurated during the union, and covered the period 1961-1965 (Europa Regional Surveys of the World, 2003). The UAR considered nationalisation as a means of defending the country's autonomy and a way to defend the country against new forms of imperialism through capital, investments and economic dependency. Consequently, nationalisation laws were issued in 1961 that included a number of industrial institutions and corporations as well as the Arabisation of banks (Meri, 1997). The nationalisation programme, however, was reserved after the dissolution of the union in 1961, and the land reform law was amended in favour of landowners (Europa Regional Surveys of the World, 2003). In June 1963, however, following the Ba'th dominated coup, all amendments to the agrarian reform law were abrogated and the law itself was made even stricter (Europa Regional Surveys of the World, 2003). The Ba'th leadership of the 1963-1973 era introduced radical economic reforms that transformed the existing liberal economy into a socialist-orientated one. Land reforms and nationalisation typified the socialist character of the Syrian economy under Ba'th rule (Quilliam, 1999). Banks were nationalised in that year, and a rigorous nationalisation of industry and trade was begun in 1965 (Europa Regional Surveys of the World, 2003). By the time that Hafiz al-Assad seized power in November 1970, there had been a radical transformation of the country's economic structure, with the economic power of the landowners, merchants and industrialists greatly weakened, and the public sector dominant (Europa Regional Surveys of the World, 2003).

During the period 1973-1991, the government introduced measures of economic liberalisation, otherwise known as 'Infitah', to encourage investments (Europa Regional Surveys of the World, 2003). As a result, the private sector experienced new growth rates between 1986 and 1990.<sup>156</sup> Liberalisation reforms continued to take place, especially in response to the collapse of communism in Eastern Europe and the diminution of the Soviet influence. Syria's economic and foreign policy, consequently, hurried towards the West and enhanced measures for liberating the economy manifested. This was clearly illustrated by Syria allying itself with the Western powers

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<sup>156</sup> By 1990, the private sector contributed an estimated 55% of Syria's GDP. This sector had employed 60% of the industrial labour force in the 1970s and 1980s but by 1991 was employing a remarkable 75% (Quilliam, 1999).



and the, so-called, 'moderate' Arab states against Iraq in 1990/91, in return for diplomatic and economic gains (Europa Regional Surveys of the World, 2003).

### 7.2.3.3 Reforms and Future Prospects of the Syrian Economy

The introduction of economic liberalisation measures in 1972, 1986, and 1991, expressed a change in economic policy. Though changes were precipitated by differing circumstances, they indicated a new flexibility within the Syrian political system. They also connoted the impending influence of the global economy and the vulnerability of the Syrian state (Quilliam, 1999). Concentrating on the most recent, economic liberalisation reforms, the first major step to encourage private capital and investment in Syria took place when a new investment law was passed (Law No. 10) of May 1991,<sup>157</sup> with the intention of encouraging public-private joint sectors, local or foreign, to invest their capital in the channels of production that are bound to yield good and prosperity to the country especially in the fields of agriculture, industry and transport (Damascus Chamber of Commerce, 1991).<sup>158</sup>

In 1993, Syria's entire investment system and foreign trade, based on laws dating back to 1952, came under review as the government studied the extent to which current import and export controls were hampering the growth of private-sector enterprises (Europa Regional Surveys of the World, 2003). Syria's commercial code of 1949 was also reviewed (Euromoney, 2001).<sup>159</sup> Despite these reforms, the Syrian private sector and economy still suffered, as a result of the difficulty of raising finance, which was virtually unobtainable within Syria and very difficult to obtain from abroad (Europa Regional Surveys of the World, 2003). When Bashar al Assad ascended to the presidency following his father's death in year 2000, the reform process was accelerated in order to boost the Syrian economy, leading to a period of unprecedented legislative

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<sup>157</sup> The following points should be taken into account when approving projects which benefit from this law. The points are requirements of the project. The project has:

- To be in line with the aims of the state development plan.
- To use as much as possible the local sources available for the national economy.
- To contribute to increasing the gross national product and employment opportunities.
- To engender the increasing of exports and the rationalising of imports.
- To use up-to-date machines and technologies suitable for the national economy's needs.

The fixed assets to be used in the project, including machines, tools, equipment, apparatus, means of non-tourist transport should not be less than 10 million Syrian Pounds (Damascus Chamber of Commerce, 1991).

<sup>158</sup> Under this law, domestic and foreign investments are treated equally. Law No. 10 is applied to money invested by Syrian Arab Citizens, both resident and expatriates, and citizens of Arab and foreign countries within the framework of the state general socio-economic development plans and the general policy of the state (Damascus Chamber of Commerce, 1991).

<sup>159</sup> As a result of these reforms, by early 1995 a total of 65 'law 10' manufacturing enterprises had started production and a further 135 manufacturing projects were under active development.



activity aimed at reforming a number of aspects of economic and social life in Syria. These included amendments to the country's investment legislation to attract private investment and allow for more private sector involvement, as well as laws dealing with housing and real estate, education and banking (OBG, 2003).<sup>160</sup>

Banking services have also been upgraded through the issuing of Law No. 28 of 2001,<sup>161</sup> which allows the establishment of private and joint-venture banks. The establishment of a stock exchange market in Syria is expected to take place soon, which is in turn expected to further boost investment (OBG, 2003).<sup>162</sup> The Ministry of Finance has, further, drawn up a draft law to modify the current tax law (No.85 of 1949) and reduce marginal tax rates which reach 63% after the first SP1,000,000 of profit (OBG, 2003).<sup>163</sup> A draft of company law, a draft of trade law and a draft E-trade law have also been completed. These three draft laws are set to replace the existing regulations that were issued almost 50 years ago. The Syrian Minister of Economics argued: 'we desperately need to modernise these laws in order to bring them into line with neighbouring countries with which we are increasingly trading' (OBG, 2003, p.34).<sup>164</sup>

The Syrian efforts to liberalise their economy have also been illustrated in the Syrian governments' eagerness to engage in regional and international treaties and agreements. On the regional front, Syria has been keen to join the Arab Free Trade Area (AFTA), formed by agreement in 1997, which aims at eliminating tariffs in the Arab world by 2007, reducing them annually by 10% until the deadline. Apart from economic considerations, Syria is motivated to adhere to inter-Arab collaboration by its Arab

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<sup>160</sup> In 2000, further amendments took place introducing legislation permitting foreign investors to own or lease land needed for 'law 10' projects; extending by two years the tax exemption period of 'law 10' projects sited in remote areas; and reducing to 25% the rate of corporate taxation levied after the expiry of 'law 10' tax exemption periods (Regional Surveys of the world, 2003). The amended law also allows incorporation with limited liability and permit corporations to prepare their company's articles of association as required by the nature of the project rather than in accordance with the provisions of the long-outdated 1949 Commercial Law (OBG, 2003, p.37).

<sup>161</sup> Law No.28 of 2001 refers to Syrian banks. The law states that, by exception, foreign partnerships can be approved with a capital share of up to 49%. This was a major step, leading the way for the Central Bank to study the applications and submit its opinion to the Ministry of Economy and Foreign Trade. The latter will then submit its recommendation to the Council of Ministers for approval (OBG, 2003, p.34).

<sup>162</sup> The government has also allowed the Commercial Bank of Syria to finance a part of private sector raw material imports, issued unified law regulating income taxes, and liberalised Syrian foreign trade. Importantly, Syrian exports were exempted from many financial and taxation constraints in 2001, as well as the requirement of needing an export license (OBG, 2003, p.43).

<sup>163</sup> This law, however, has not yet been voted on in Parliament. Investment Law No.10 of 1991 grants tax holidays of 5-7 years for qualifying projects, while Decision No. 186 grants a tax holiday from all types of customs duties and taxes, including those on wages and salaries (OBG, 2003, p.147).



nationalist ideology, which obliges it to promote any kind of inter-Arab co-operation (OBG, 2003).<sup>165</sup> On the international front, Syria has signed agreements with its trading partners and adhered to international treaties. In 2002 it became a member of the 'Multinational Investment Guarantee Agency', part of the World Bank group, and it has also applied to join the World Trade Organisation.<sup>166</sup> Syria has held several rounds of negotiation with the EU commission towards the signing of an Association Agreement (OBG, 2003).<sup>167</sup> Other reforms in Syria targeted projects in areas such as public health funded by the EU Commission,<sup>168</sup> and the education framework in Syria.<sup>169</sup>

While the Syrian government has taken major steps towards market liberalisation, the reform programme has been implemented slowly. Syria officials cite China as a good example of how careful reform brought about prosperity without social instability. Nevertheless, the pressure to reform more quickly will only increase as a result of these bilateral free trade agreements on regional and international levels (OBG, 2003). Furthermore, although foreign investment is now more welcome than ever, one reform Syria is emphatic in not pursuing is privatisation. Senior policy makers in Damascus say that there are good reasons, peculiar to Syria's cultural, political and economic

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<sup>164</sup> By 1999-2000, excluding the petroleum sector, the private sector accounted for 69% to 71% of Syria's GDP in the years from 1999-2000. This, according to some economists, is remarkably large given the way the economy has been managed over the past three decades (Euromoney, 2001).

<sup>165</sup> Some 18 of the 22-member Arab League have signed the agreement. Although Syria was initially one of the less enthusiastic signatories, since 2000 it has pushed to the front of the pack and sought to accelerate the pace of reducing trade barriers. During a landmark meeting in 2002, Syria was one of the 15 signatories that decided to speed the process, scrapping remaining barriers by 2005 between members of the core group. During the year, the government also pressed ahead with concluding bilateral trade agreements with Iraq, Lebanon, Jordan, Saudi Arabia and UAE (OBG, 2003, p.42).

<sup>166</sup> Since the change in leadership in mid-2000, the country has concluded a host of bilateral trade agreements, as well as increased its participation in multilateral accords. During 2002, this process continued with a string of agreements, as well as progress on the regional Arab Free Trade Agreement and the EU Agreements. But there were setbacks. For example, although Syria applied to join the World Trade Organisation in November 2001, officials say the application was vetoed by the US during 2002, thus preventing any further progress (OBG, 2003, p.42).

<sup>167</sup> At the same time, Syria is in talks to join the EU-led Mediterranean free trade zone through the EU Association Agreement, which neighbouring Egypt and Jordan are already a part of. This agreement will further open the lucrative markets of Europe to Syria, but will also expose its industries to European juggernauts. Under the agreement, however, tariffs will be reduced only very gradually, and will be accompanied by European-funded programmes to modernise Syria's industries (OBG, 2003, p.118).

<sup>168</sup> Syria has recently launched an important project in the area of public health. Supported by a grant of 30m euros, it will provide technical advice to design and help implement a sector-wide reform in this key area. In early 2003, Syria also launched another project that will improve the daily life of Palestinian refugees by ensuring long-term sustainable water supply and sanitation to two Palestinian camps. At the same time the EU continues to support the wider economic reform agenda of the government with the setting up of a 21m euro facility providing on call technical assistance to public administration in all areas of economic reform (OBG, 2003, p.24).

<sup>169</sup> The ministry for Administrative reform has prepared a broad strategy for civil service reform, and schemes for reform in basic and in higher education were also advanced, including the establishment of new technology faculties at four universities. Additionally, the provision of basic and university education



circumstances, why privatisation will not be countenanced in the foreseeable future. The Minister of State for Planning Affairs, Issam El-Zaim, explains that *'in sharp contrast to economies such as Egypt's, which have embraced privatisation with gusto, Syria considers itself to be on a war footing with Israel over the disputed Golan Heights. Much of the protected public sector in Syria needed to support the army is therefore deemed to be of straight national importance...So we have a public sector that in many instances is justified by defence considerations'* (Euromoney, 2001).<sup>170</sup> Syria officially describes its policy as 'Pluralist', a term indicating here 'equal co-existence' of the public, private and mixed sectors of the economy (Europa Regional Surveys of the World, 2003).

#### 7.2.3.4 Societal Influence on Business and the Economy of Syria

Syria's most pressing geopolitical and social problems constitute population growth, unemployment and border and political conflicts with mainly Israel. A 2000 UNDP published report on human development indicator put Syria ahead of such countries as Egypt, Morocco and India on the human development index (HDI) (Euromoney, 2001).<sup>171</sup> Over and above this, however, Syria's demographics do not make pleasant long term reading. Although annual population growth levels have slowed to about 2.7%, compared with more than 3.4% in the late 1990s, Syria still has one of the region's fastest growing populations. The result has been that real economic growth in recent years has been reduced to zero. According to estimates published by the IMF, GDP per capita has actually fallen from just over \$1,000 in 1997 to \$925 in 1998, \$837 in 1999 and \$775 in 2000 (Euromoney, 2001). Population growth has developed Syria's unemployment problem, probably one of the most societal/economical problems facing the Syrian government. The rate of job creation has not been able to keep pace with the growth of the population of working age in recent years. Between 1984 and 1999, the

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has been opened to private sector participation, paving the way for the establishment of branches of Arab and foreign schools and universities (OBG, 2003, p.37).

<sup>170</sup> Aside from sectors such as telecommunications, this extends to include utilities, water, supplies and food production and distribution, all of which would normally be considered prime candidates for privatisation in many emerging markets (Euromoney, 2001).

<sup>171</sup> The same report puts the proportion of Syrians without access to health services at just 1%. This is streets ahead of a number of more developed Latin American countries, as well as comfortably ahead of Thailand and Malaysia. Between 1970 and 2000, according to the same report, life expectancy has increased dramatically and infant mortality has declined equally sharply. But perhaps one of the most striking non-economic indicators is the crime rate. Senior government officials never tire of telling visitors how safe the country is, and the latest UNDP figures suggest this is not empty rhetoric. These put recorded crimes at 16 per 100,000 people. In the US, by contrast, the figure is 5,367. Recorded homicides in Syria are also negligible compared with many ostensibly much more developed economies (Euromoney, 2001).

total recorded labour force (including those seeking employment) nearly doubled in size, from 2.37m to an estimated 4.70m, while the official rate of unemployment rose from 4.6% to 8.6% over the same period (Europa Regional Surveys of the World, 2003, p1024).<sup>172</sup> The economic structure of Syria, furthermore, is not helping in solving the unemployment problem as a result of its dependency on oil and related lack of job creation. Although economists claim that Syria's economy is much more diversified than Saudi Arabia's, for example, oil continues to account for between 60% and 70% of exports and between 40% and 50% of the state budget. But the petroleum sector is not a large creator of jobs, and with more than 200,000 new entrants to the labour market each year, and only about 65,000 new jobs created in 2001, Syria is facing an increasingly formidable unemployment challenge (Euromoney, 2001).

Political, social and economic developments and factors reviewed in the previous sections have, no doubt, contributed considerably to the formation and development of the way accounting/social accounting is regulated and practised in Syria. The coming section will elaborate how these events have shaped Syria's accounting context.

### **7.3 Syria's Accounting Context**

#### ***7.3.1 Development of Accounting and the Accounting Profession in Syria***

During the Ottoman rule of Syria, recession and bourgeois relations were the main features of the economy. During that period, auditing and accounting were used mainly to collect income for the Ottoman government and no formal auditing or accounting professional body existed during the long period of Ottoman rule in Syria (Qadi, 1996). In 1850, the Ottoman commercial law was issued. It was a translation of the French commercial law of 1807. The law was applied in Syria, as part of the Ottoman Empire at the time, but had little significance to business as there was no advanced trade or industry in Syria at the time (Qadi, 1996). During the Second World War, the number of corporations increased in Syria to meet the French needs for products and commodities during the war. During this period, French auditors and accountants came to Syria to carry out financial auditing in line with French company legislation (Qadi, 1996).

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<sup>172</sup> Most unofficial estimates indicated an overall unemployment rate in the range 15%-20% in 1999, although opponents of the government cited higher estimates that took account of such factors as the widespread under-employment of well qualified university graduates (Regional Surveys of the world, 2003, p1024).



After independence, Syria witnessed increased economic growth and the further establishment of corporations such as the Cement Corporation in Aleppo and the Industrial United Company in Damascus. An increase in the numbers and size of corporations in Syria resulted in the abandonment of the 1850s Ottoman commercial law and the issuance of the Syrian commercial law of June 1949, which is still in use today. The law was, again, heavily influenced by the French Commercial law (Qadi, 1996). The 1949 commercial law established the basis for the development of the accounting and auditing profession in Syria. One of the main requirements of the 1949 commercial law is that corporations should appoint an auditor. The Ministry of Trade and Supplies, in this regard, would provide a list with the names of certified accountants in Syria for corporate directors to choose from. Experience was the only element required for a person's name to be added to the list (Qadi, 1996).

It was only after the union with Egypt in 1958 and the creation of the United Arab Republic (UAR) that the accounting profession in Syria was first regulated by law (Qadi, 1996).<sup>173</sup> The Egyptian experience of establishing and developing an accounting profession played a key role in the issuance of the law No 1109 of 1958 that regulated the accounting profession in Syria. This was immediately followed by the establishment of the Association of Syrian Certified Accountants (ASCA) (Qadi, 1996). The main role given to the association at the time was to regulate the auditing profession in Syria, develop and maintain this profession and find ways in which it could improve accounting and reporting practices in Syria (Qadi, 1996).

The development of accounting and the accounting profession in Syria, however, was directly influenced by the nationalisation law of 1961 that required total and partial nationalisation of a number of corporations in the UAR. This nationalisation process was further emphasised after the separation from Egypt with the 1965 law that required broader and further nationalisation of business organisations in Syria (Qadi, 1996). The nationalisation process, and its related legislative decrees, required the establishment of the General Institution of the Public Industrial sector in 1965. This took over the task from the ASCA of appointing certified accountants for the purpose of auditing

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<sup>173</sup> The accounting profession in Egypt was much more developed than the one in Syria. The Association of Egyptian Accountants established according to the legislation issued in April 1946, a time when Egypt was under British rule. Syria's Association of Syrian Certified Accountants was established more than 10 years later in 1958.



nationalised businesses organisations' accounts. The ASCA witnessed a further set back with the issuance of the legislative decree No.93 of 1967 that required the establishment of a governmental body called the Central Institution for Financial Auditing that became responsible for auditing financial information and accounts of all public sector companies and institutions (Qadi, 1996). Accordingly, the independent accounting profession's role in Syria during that period became limited to the auditing of 52 limited companies and joint ventures between the Syrian government and other foreign or Arab companies (Qadi, 1996).

### ***7.3.2 Accounting after Nationalisation and the Expansion of the State Controlled Public Sector***

Accounting under the socialist system in principle is strongly geared to macroeconomic planning and the public ownership of production resources. Profitability becomes one of a number of key objectives, but not the only or the most prominent one as in a capitalistic system (Saqa, 1986). Accounting information, accordingly, is concerned with providing useful information to the unit, sector and national level. Disclosure and financial statements include, in addition to information regarding the profitability of the unit, information that would form the basis for national planning and budgeting. This type of information replaced that produced by the market in a capitalist system (Saqa, 1986). Socialist countries, including the Soviet Union, produced what are called Unified Accounting Systems that standardised accounting systems across governmental institutions. Information produced under these accounting systems formed the basis for the government to draw its economic plans (Saqa, 1986). Arab countries, like Egypt, Syria, Iraq and Algeria also produced their Unified Accounting Systems to suit their nationalisation policies and national needs. These systems were directly influenced by the Egyptian one, which was itself a translation from the Russian one. Syria issued its first Unified Accounting System (UAS) as a result of legislative decree No. 287 of 1978 (Saqa, 1986).<sup>174</sup>

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<sup>174</sup> Reporting requirements in public sector companies and their charts of accounts and financial statements should agree with the Unified Accounting System (UAS) applied from 1/1/1978 (OBG, 2003). The UAS rules and regulations should be applied to all Governmental business institutions in Syria with the exceptions of banks, the Syrian Insurance Company and Pension Funds. The UAS requires that each business institution prepare a number of final accounts for the results of its operations and any other subsidiaries relating to the institution (Saqa, 1986). Governmental institutions and their final accounts are audited by a number of bodies (Central Institution of Financial Control; Central Body for Controlling and Auditing; Internal Control Management). The Accounting Divan, which was established in 1938 during French rule, was perceived insufficient to meet the needs of nationalisation laws and socialist movements in Syria that required a much wider controlling role in the 1960s. The Divan was, consequently, replaced in 1965 by a number of controlling bodies.



Regulating reporting requirements in the private sector in Syria is governed by the commercial law applied in Syria since September 1949.<sup>175</sup> Every trader, according to the Commercial Law, must keep at least the following three record books: (1) daily ledger; (2) copies of correspondence; (3) inventory ledger (OBG, 2003).<sup>176</sup> As far as shareholding companies are concerned, their boards of directors are requested to prepare within three months of the end of each accounting calendar the following: A report on the company's activities during the previous year; inventory of the company's assets and debts; balance sheet of preceding year; profit and loss account.<sup>177</sup> Copies of the financial statements and lists of general expenses, fixed assets and depreciation must also be submitted to the tax department concerned together with the annual tax return (Kinsella, 1998). Since financial statements are deemed necessary only for tax purposes, many businesses keep books of accounts just for cash and accounts receivable and payable (OBG, 2003).

There are no legal requirements or guidance in Syria regarding the form or extent of financial statements except that they should agree with the generally accepted accounting principles (OBG, 2003). There are, however, no special accounting principles adopted in Syria. Some rules and regulations are issued containing some principles such as inventory valuation, depreciation of fixed assets, cut off, but no complete and inclusive compendium is issued containing all accounting principles. Today, in general, the accounting principles accepted in the United States (GAAP) are acceptable in Syria (OBG, 2003). The private sector in Syria, consequently, is hardly regulated. This is due to the aforementioned weak professional accounting body in Syria and the concentration of the bulk of regulation on the public sector.

From the 1980s onwards, economic reforms and market liberalisation policies encouraged private capital and the private sector in Syria and a number of laws and regulations that encouraged such investments were issued (Meri, 1997). While the

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<sup>175</sup> This situation differs little from that of Lebanon, Iraq and Egypt (Kinsella, 1998).

<sup>176</sup> The two last named ledgers must be kept in Arabic. All ledgers must be numbered, authenticated and signed by the president of the court of first instance; where a district has no court of first instance, then by the magistrate (justice of peace) of the district. The ledgers must be kept for ten years after the business has terminated (Commercial Laws).

<sup>177</sup> Financial statements must be submitted to auditors and the ministry at least 30 days before the meeting of the general assembly. Also the board of directors is requested to distribute to shareholders a copy of each report and the auditors report before the General Assembly meeting. If the nominated capital of the shareholding company is more than 500 thousand Syrian Pounds, the board of directors must publish the

private sector's importance in Syria increased significantly from the 1980s onwards, contributing up to 70% of Syria's GDP (excluding the petroleum sector) and employing up to 75% since the 1990s, accounting regulations and reforms in respect of the private sector did not reflect and develop in a similar fashion. The private sector in Syria is still governed by the same commercial law that has been in place since 1949. Up until today in Syria there are no legal requirements or guidance for the private sector on reporting and presenting financial statements. Practices in Syria should agree with the generally accepted accounting principles. Nevertheless, there are no specific, written or comprehensive set of generally accepted accounting principles. These principles are usually in line with IASs and US accounting standards. The ASCA in 1999 responded to changes in the political and economic environment in Syria by endorsing 20 standards taken directly from IASs. The ASCA justifies this move by stating that the economic and legal changes that Syria is facing today require the adoption of IASs. The introduction to the standards states that:

'The economic and legal changes that our dear country is witnessing today require accounting professional bodies in the country to contribute and work towards the development of accounting science and development of accounting profession in the country. As a result of not having previously developed accounting standards, the board of directors of the ASCA decided to develop accounting standards that provide the basis for accountants in Syria. Therefore, the standards prepared by the ASCA were prepared in line with the International Accounting Standards with some adjustments to reflect the needs and terms and laws in the Syrian Arab Republic'. (ASCA, 2001).

The adjustments to international standards to meet Syria's needs were limited to pick and choose among a list of the standards, rather than adjusting the standards themselves to meet Syria's context. For instance, IASs in respect of income tax, pensions and employees benefit were dropped from the Syrian list (The Syrian Accounting Standards do not deal with these issues) (see ASCA, 2001).<sup>178</sup>

The ASCA today still lacks authority and power of enforcement. All local independent auditors appointed by private and joint venture companies must be licensed by the Ministry of Trade and Supply, and not by the ASCA. The licence is awarded when passing a certified accountant exam set by the Ministry and subject to participants having a recognised professional experience of five years and an academic degree

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balance sheet in two daily newspapers at least fifteen days before the meeting of the General Assembly. Copies of these newspapers should be submitted to the Ministry of Trade and Supply (Kinsella, 1998).



(OBG, 2003). The ASCA, while embracing IASs, does not have an enforcement power to make sure that they are complied with.

#### **7.4 Discussion and Conclusion**

Chapter seven commenced by highlighting the geopolitical importance of Syria, which has largely contributed to Syria's historical subjection to foreign invasions from the Romans to Turkey and colonial France. The French mandate's declared policy was to help the people of the area to stand by themselves and face the strenuous conditions of the modern world (Cleveland, 1994). The mandate's primary role, in reality, however, was to protect and enhance the French capital investments and interests in Syria and employ Syrian resources to serve French interests and capital. For this purpose, France introduced a political and economic system and measures that were in line with its policies and resembled its own political and economic systems (Meri, 1997). Syria's nationalist movements succeeded in driving the French out of Syria by the end of WWII. Arab nationalism became stronger than ever, with the vision of Arab nationalism, represented by the Ba'th party ideology, forming the basis for the political framework of independent Syria. Syria, soon after its independence formed a union with Egypt known as the United Arab Republic (UAR). After the rule of the Ba'th Party and the union with Egypt, Syria introduced major agrarian and nationalisation reforms. These reforms were seen as a means to defend Syria against new forms of imperialism and Western influence through capital investments and economic dependency (Meri, 1997). The Syrian political and economic system was orientated towards a socialism, whereby the State controls the economy and the main industries in Syria. Syria, however, and especially after the collapse of communism in Eastern Europe and the diminution of the Soviet influence, has enhanced reforms of economic liberalisation and hurried towards the West and the global economy. Syria's reforms included reviews and/or amendments to the country's investment legislation, housing and real estate, education and banking systems. Syria also engaged with regional and international treaties and agreements including treaties with other more moderate Arab States, the EU Commission and International Organisations such as the World Bank (OBG, 2003). Syria's most pressing geopolitical and social problems constitute population growth, unemployment and political conflicts with, mainly, Israel.

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<sup>178</sup> Insights into the way Syrian Accounting Standards (SAS) were developed will be given by Syrian



Political, social and economic developments and factors reviewed in chapter seven have, no doubt, contributed considerably to the formation and development of the way accounting/social accounting is regulated and practised in Syria. The French mandate on Syria between 1920-1946 has left its mark on Syria's legal and economic systems, which, in turn, affected accounting regulations in Syria. For instance, the 1949 commercial law, translated from the French Commercial Law of 1947, still valid until today with only few adjustments, had formed a keystone in the development of the modern accounting and auditing profession in Syria (Qadi, 1996). Egypt had a significant impact on accounting in Syria (and still does). The Egyptian Companies Act and experience in the establishment of the accounting profession, which in turn were influenced by the British experience, had a great influence on Syria's Companies Act and the establishment of the ASCA in 1958. Egypt's influence on Syria's accounting regulatory framework continued to exist during the period of nationalisation and the move towards the central economy. Syria had adopted a similar Unified Accounting System (UAS) to that of Egypt to regulate the dominant public sector's reporting and financial statements.

Regulating accounting and reporting in the private sector in Syria during the nationalisation period, however, was largely neglected. In Syria, the influence of the accounting profession on direct development of accounting practices has been relatively limited. This may be due to the impact of the French model, where the strong influence of the Tax Law on statutory accountants limits the scope of exercise of professional judgment (Roberts *et al.*, 1998). The limited role of the accounting profession may also be due to the situation whereby the nationalisation process and the expansion of the public sector in the 1960s and 1970s resulted in the weakening of the ASCA's role - its duties were limited to regulating 52 companies (Qadi, 1996). While the private sector's importance in Syria increased significantly from the 1980s onwards, contributing up to 70% of Syria's GDP (excluding the petroleum sector) and employing up to 75% of the workforce since the 1990s, accounting regulations and reforms did not reflect and develop at the same pace. The private sector in Syria is still governed by the same commercial law that has been in place since 1949. Up until today in Syria there are no legal requirements or guidance for the private sector on reporting and presenting financial statements. Practices in Syria should agree with the generally accepted accounting principles. Nevertheless, there is no specific, written or comprehensive set of



generally accepted accounting principles. The principles that do exist are usually in line with IASs and US accounting standards. The ASCA in 1999 responded to changes in the political and economic environment in Syria by endorsing 20 standards taken directly from IASs. The ASCA justify this move by stating that the economic and legal changes that Syria is facing today requires the adoption of IASs.

A review of Syria's accounting context demonstrates the impact of Western practices and interests on the development of accounting in Syria. Syria's legal and regulatory frameworks have largely been shaped by either imperial Western interests, mainly France, or neighbouring Arab countries' experiences, mainly Egypt, which itself has been influenced by Western, largely British, systems and practices. In recent years, the desire of Syria to participate in the global economy has driven the accounting profession to adopt IASs, arguing that this is a necessary and eminent step for Syria's accounting development. Syria, therefore, as part of the postcolonial world, had little chance to develop an accounting system that really reflects its society's particular needs and circumstances. Rather, its system has, to a large extent, been a distorted version of Western systems, whether French, British, Russian or US systems. These distorted, out-of-date versions have largely left Syria without a comprehensive and consistent accounting framework that would regulate the preparation and reporting of accounting information in Syria. Furthermore, similar to the lack of social reporting requirements in these Western accounting systems, Syria's system demands little, if any, social disclosure as delineated in this study. Therefore, despite the significant difference between Syria's needs and circumstances and Western ones, Syria's accounting system has embraced the Western form of accounting where accounting is mobilised to serve the interests of capital and shareholders and sustain the current, repressive socio-political order. Recent moves in Syria to adopt IASs confirms this argument. Syria's current steps towards market liberalisation and its desire to join the international community have convinced Syria's accounting profession that the only way forward is to adopt IASs. IASs, as argued in chapter five, are predominantly Western, Anglo-Saxon standards that mainly reflect the interest of capital and multinational or large business organisations and largely ignore forms of social reporting as delineated in this study. Syria, therefore, by responding to a perceived need or a pressure to adopt IASs is first, importing accounting standards that to a certain extent do not meet its particular needs and circumstances and second, is promoting a form of accounting that ignores the social dimension of business organisations' activities, which Syria may need now even

more than ever in light of its recent moves towards the market economy and attracting private and foreign investments.

The contextual analysis of Syria carried out in this chapter will enable the study to better analyse and understand interview findings and analyses that will manifest in chapter eight. The contextual analysis could also aid the study in envisioning a way-forward for the betterment of accounting/social accounting practices in Syria and beyond.



## **Chapter Eight**

### **Understandings of and Attitudes to Social Accounting in Syria**

#### **8.1 Introduction**

In-depth, semi-structured, face-to-face interviews are used in this study as the main instrument for seeking to gather opinions, attitudes and perceptions of Syrian accountants towards social accounting. Syrian accountants' opinions, attitudes and perceptions were sought on a number of issues that can be broadly classified into four main themes. First: Syrian accountants' perceptions on the social responsibility of business in society. Second: Syrian accountants' perceptions and opinions of the role that accounting should be playing in society. Third: the chapter seeks Syrian accountants' perceptions of implementing and developing social accounting in Syria. Finally, Syrian accountants' vision for the betterment of accounting/social accounting and reporting practices in Syria. Interviews carried out in this chapter seek to give Syrian/Arab accountants a 'voice' and offer some insights into the impact of socio-political and economic context, including imperialism, in shaping their experiences and perceptions. In particular, the chapter contributes to the understanding of how the global order today is dictating Syrian accountants' attitudes towards social accounting. The chapter also aids the study in envisioning a way-forward for the improvement of these practices, so that accounting play an 'emancipatory/radical' role in Syria's society and beyond.

The chapter commences by discussing semi-structured interviews as a qualitative research method and highlights the main stages and decisions taken to carry out interviews in this current study. This is followed by a review and analysis of interview findings. Interview findings are presented in four sections. Each section puts forward the findings and analysis in respect of each of the four interview themes.

#### **8.2 Semi-Structured Interviews**

The interview, according to Gilbert (1993, p.135), 'has a strong claim to being the most widely used method of research'. An interview, Gillham (2000, p.1) explains, 'is a conversation, usually between two people. But it is a conversation where one person: the interviewer, is seeking responses for a particular purpose from the other person: the interviewee'. The form and style of any interview is determined by its purpose (Gillham,



2000). Most studies use the degree of interview structure to differentiate between types of interviews (Gilbert, 1993). A structured interview, Denzin and Lincoln (2000, p.653) elucidate, 'aims at capturing precise data of a codable nature in order to explain behaviour within pre-established categories'. Unstructured interviewing, on the other hand, 'attempts to understand the complex behaviour of members of society without imposing any prior categorisation that may limit the field of inquiry'. This would allow for a somewhat natural interaction between interviewer and interviewees, where interviewees' perspectives come to the fore thus illuminating what was in and on their minds (Patton, 1990, cited in O'Dwyer, 1999, p. 221).

This study, in order to achieve its purpose(s), follows the semi-structured form of interviews, where the researcher asks certain but major questions the same way each time, but is free to alter their sequence and to 'probe' for more information (Gilbert, 1993). The interviewer, thus, is able to adapt the research instrument to the level of comprehension and ability to articulate of the interviewee, and to handle the phenomenon whereby, in responding to one question, people also provide answers to questions she was going to ask later (Gilbert, 1993). This study, in addition, adopts the personal, face-to-face type of semi-structured interview. This is because personal interviews are perceived to 'attain the highest response of any survey technique and can best establish rapport and motivate the respondent to answer fully and accurately, resulting in an improved data quality' (Judd *et al.*, 1991, p219). Furthermore, personal interviews also allow the greatest length in interview schedules that, in turn, permits extensive-in-depth questioning about complex or multi-faceted issues (Judd *et al.*, 1993, p.219). Unstructured or semi-structured, face-to-face interviews, however, encounter a number of disadvantages that researchers should be aware of. For instance, the flexibility that these interviews provide suggests the lack of comparability of one interview with another. Furthermore, analysis of these types of interviews is more difficult and time consuming than 'structured interviews' (Judd *et al.*, 1991). In addition, the aforementioned potential rapport between interviewer and interviewee, in the case of face-to-face interviews, could result in a large interviewer effect, where his/her expectations or personal characteristics (such as race or sex) can influence responses. A strong rapport could also mean that interviewees tend to give answers that would suit the interviewer's expectations or desires, but may not be a reflection to interviewee's own beliefs (Judd *et al.*, 1991). Bearing in mind both advantages and disadvantages of semi-structured, face-to-face interviews, the researcher in this study



carried-out 19 semi-structured, face-to-face interviews with Syrian accountants in Damascus, during the period 8<sup>th</sup>-March-2002 to 8<sup>th</sup>-April-2002.

Having highlighted the broad interview's objectives and form in this section, the coming sections will elaborate in some detail on the interview sample choice, data collection and data analysis of the interview process.

### ***8.2.1 Sampling Selection and Decisions***

As mentioned earlier, the semi-structured interviews aim to gather insights into attitudes, opinions and perceptions of Syrian accountants towards social accounting and reporting. People targeted for interviewing, therefore, have been accountants representing different groupings, such as regulators, academics and practitioners. Nineteen individuals agreed to be interviewed. Of these 19 interviewees, only two have a working experience of less than five years. The majority of interviewees have long-term experience in accounting (or finance) related fields and, hence, could be considered as the elite of the accounting field in Syria.<sup>179</sup> The sample in this study, for example, contained people that hold/held high governmental positions and responsibilities such as ex-Ministers, regulators such as the Chairman of the ASCA, companies' directors, senior university lecturers and economic consultants. Seeking opinions, attitudes and perceptions of the Syrian accountants' elite was useful to this study as it allowed the researcher to gain from the depth and breadth of knowledge that these people have. It also allowed the researcher a better understanding of accounting and social accounting regulations and practices in Syria, as well as possibilities for the betterment of social accounting practices in the Syrian context. Appendix 4 lists the 19 interviewees and their professional groupings.

As can be noted from appendix 1, in most cases an interviewee falls into two or more of the professional accounting groupings. For example, an interviewee could be an academic and in the same time he/she could be an owner of an auditing or consultations company, auditor and a regulator in a governmental organisation. The engagement of Syrian accountants in different accounting professions could be due to economic aspects of the Syrian society that, relatively more often than in the UK, require

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<sup>179</sup> Elite in an institution or profession are people who often have a privileged position as far as knowledge is concerned; no doubt in other ways too. These are often people in positions of authority,

people/accountants to seek different jobs and sources of income at one time. It could also be due to the social aspect of regarding academics with doctoral degrees highly in the Syrian society. Academic accountants are welcomed and trusted to engage in different professional accounting groupings. Whatever the reason, this cross-professional grouping is welcomed for the purpose of this study as accountants who have a significant experience and knowledge in accounting and financial matters and in a wide range of accounting issues are more likely to provide more comprehensive views on accounting practices and visions for the betterment of these practices in Syria and other Arab countries in the Middle East. This cross-professional nature of the accounting profession in Syria, however, resulted in a difficulty to distinguish in her analysis the different trends in attitudes among Syrian accountants according to their professional groups.

Interviewees' names and contact addresses were obtained through two separate methods. Elite interviews were, mainly, granted through an ex-colleague's personal contacts with these people. The colleague contacted these groups of people, secured an appointment for the interview and gave a very general idea of the researcher's topic and background. The other method of granting interviews was the researcher's access to Damascus University and her efforts to convince lecturers there to conduct interviews with her. Technical knowledge of the matter was not a prerequisite for choosing interviewees, as what is sought in the study are interviewees' opinions, attitudes and perceptions of the issue in concern. This notion was stressed to interviewees beforehand, as they were assured that the researcher is not looking for 'right' or 'wrong' answers to her questions (O'Dwyer, 1999). Furthermore, all interviewees were granted confidentiality and were assured that their names or any other details that could expose their personality would not be identified in the research. This was done to guarantee 'openness' and 'truthful' responses (O'Dwyer, 1999). Despite these assurances, only nine individuals (out of 19 interviewed) agreed to be tape recorded during the interview. The majority of interviewees, however, showed a lot of enthusiasm and willingness to help the interviewer in her research including agreeing to support it further on future occasions.

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with considerable personal power. But it may be that they are just particularly expert or authoritative and so are members of an 'elite' in that sense (Gillham, 2000).



## ***8.2.2 Conducting the Interviews (Data Collection)***

### **8.2.2.1 Pre-Interview Preparation**

As noted in section 1, semi-structured, personal interviews were undertaken in Damascus/Syria in the period between 8<sup>th</sup> of March and 8<sup>th</sup> of April 2002. The researcher, as part of the semi-structured approach to interviewing she adopted, prepared a list of questions that focused on some limited number of points (interview guide). This was done only as a means of getting the required material in respect of that particular point (Smith, 1972, cited in O'Dwyer, 1999). While preparing the 'interview guide' an attempt was made to render each question as open-ended as possible, with the majority of questions requiring an extended response with 'prompts' and 'probes' (Gillham, 2000, p.11). As a result, the interview questions had a structure – an 'interview guide' – but at the same time, the interview was flexible to what emerges (Gillham, 2000, p.3). This allowed the researcher to gain spontaneous information about Syrian accountants' attitudes and actions towards social accounting and reporting, rather than a 'rehearsed position' (Gilbert, 1993). Questions and themes included in the 'interview guide' were based on the review of the literature and the researcher's appreciation of the social/economical/political context of Syria and accounting practices and regulations in Syria (Appendix 3 highlights the interview guide containing themes and questions discussed in interviews). Furthermore, an appreciation of each interviewee background was obtained in advance in order to emphasise the points that the researcher felt could be of particular interest and in the sphere of experience of that interviewee.

### **8.2.2.2 Conducting the Interview**

As mentioned earlier, 19 Syrian accountants were interviewed, with each interview approximately lasting for one hour. All interviews took place in interviewees' offices or in Damascus University. At the commencement of each interview, interviewees were asked if they would allow the researcher to tape the interview. It was explained to them that this would be a necessary process for enhancing the 'accuracy' and 'efficiency' of the research. In addition, issues of 'confidentiality' were stressed again (Gillham, 2000). Ten interviewees, however, were reluctant to be tape recorded. In this case the researcher made sure that detailed notes were taken. Even in the case of tape recording,



notes have also been taken of 'main topics' and points that interviewees came up with in their answers (Gillham, 2000).

At the beginning of each interview, the researcher explained to interviewees the purpose of both the interview and her research in general. She also explained how interview material to be 'stored', 'analysed' and 'interpreted', and what use this was going to be put to (Gillham, 2000). After the above explanations, the interviewee was asked if she/he had any questions or require any further clarifications. The questioning process for all interviewees started with the same question (as in O'Dwyer, 1999). The researcher also took all possible efforts to cover all themes and topics included in the 'interview guide'. 'Sequence and phrasing' of questions, however, varied from one interview to another. The researcher in this respect raised the topic and indicated the kind of answers required, but made sure that the actual answers were left entirely to the interviewee (Gillham, 2000). Sometimes, and especially in the case of elite interviewing, interviews were relatively less structured than other interviews. This is due to these people (the elite) possessing a great deal of knowledge and some of them also having the characteristics that long holding authority gives people, in particular that they will not submit to being tamely interviewed and where the researcher direct a number of questions to them (Judd *et al.*, 1991; Gillham, 2000). This in some occasions resulted in the researcher not covering all the aspects and areas she wanted to. Elite interviews, in most cases, however, resulted in providing the interviewer with richer insights into the historical context of accounting in Syria.

Regardless of the interviewee status or experience, interviews conducted had an open environment and friendly atmosphere, with the researcher making sure that interviews were conducted in a 'conversational' and 'unbiased' manner (Judd *et al.*, 1991). Interviews were carried-out in Arabic (the mother language of both the researcher and all interviewees), with one exception where the interviewee wished to conduct the interview in English. The researcher felt that rapport was established between her and interviewees, with her being cautious not to 'superimpose' her perceptions upon them (Denzin and Lincoln, 2000). After the conclusion of interviews (especially the first few ones) notes were made of both unique and common elements of each interview, this allowing the researcher to reconsider her questions (interview guide), with overlapping topics being dispensed together so that the interview is better focused on distinct areas (Gillham, 2000). At the end of each interview, interviewees were offered a contact



address of the researcher for any further clarifications. Interviewees also, in many cases, offered the researcher further help if needed in the future.

### ***8.2.3 Data Analysis***

In any study, the use of semi-structured, open ended questions leads to an enormous amount of qualitative data (O'Donovan, 1999). In order to analyse the content of these enormous amounts of qualitative data, techniques aiming at searching for recurring themes and identifying responses that could be categorised, should be employed (O'Donovan, 1999). This section is concerned with explaining the process of categorising and analysing the interviews carried out in this study. The first stage in this analytical process is transcribing the data.

#### ***8.2.3.1 Transcribing the Data***

Transcribing the interview data could follow a number of methods (see Gillham, 2000). As far as this study is concerned, nine interviews were tape recorded while detailed notes have been taken in the other 10 interviews. Accordingly, and as the taped interviews number is not very large, transcribing the data involved a complete written form of the whole interview. This allows the researcher to make complete sense of what the interviewee has said (Gillham, 2000). In the case where the interview is not taped, the researcher took notes during the interview and immediately afterwards. The researcher has also included notes that she made after each interview that are general comments on the nature of the interaction such as factors about the place, time and relationship with the interviewee that seemed likely to be important for the content of this study. While transcribing the tapes, the researcher, in addition to writing up the full interview content, kept notes of the interviewee's emphasis, mood, intonation and so on that crucially elaborated meaning (Walker, 1985). Writing down the transcripts was done in Arabic. After having a complete written copy of the Arabic version of the interview, the researcher translated the whole transcript to English. The researcher double checked on the accuracy of translation, and whether the translation was successful in reflecting meanings, interactions and moods during the interview by going through the translations twice to check if they reflect the right meaning.

After having this set of transcriptions and notes available to the researcher, the process of analysing data and structuring categories begins.

### 8.2.3.2 Analyzing data and structuring categories

As mentioned earlier, the process of analysing the content of an interview is about organising the substantive content of that interview. There are two key aspects to this: identifying key, substantive points and putting them into categories (Gillham, 2000). Categories, Gillham (2000) notes, are simply headings which present a first stage in tidily presenting the range of data the interviews resulted in. Later, direct quotations categorised under these headings would allow for the substance and meaning of the range and character of the responses to be displayed. Gillham (2000) further explains that the process of developing and combining (or breaking up) categories is about observing the principles of exhaustiveness and exclusiveness.

In the first stage of the interview analysis, the broad areas addressed in the 'interview guide' provided a framework/template from which a detailed analysis of transcripts could proceed (O'Dwyer, 1999). The analysis process started with each transcript being clearly identified, by a code, for example (I1) for Interviewee number one (Gillham, 2000). Each of these transcripts was taken in turn. Thinking about the broad questions in the 'interview guide' and focus that the researcher wants to get from the interview (without starting with a list of categories into which the data are to be slotted) (Walker, 1985), the researcher went through each transcript highlighting substantive statements (those that really make a point), ignored 'repetition', 'digressions' and other material deemed irrelevant to the research focus (Gillham, 2000).<sup>180</sup> After being through all the transcripts, the researcher went back to the first one and read them through while listening to the tape as well, in the case where a recording took place, to find any statements, intonations and dynamics that she failed to highlight or if she highlighted that were not really 'substantive' (as in Walker, 1985; O'Dwyer, 1999; Gillham, 2000).

The researcher, and in order to develop a set of categories/headings, went back to the beginning again and went through the highlighted statements in an attempt to derive a set of categories for the responses to each question and give them simple headings (Gillham, 2000). For example, the Syrian accountant's vision for a better social accounting question was given a number of categories/headings, such as education, the tax system, professionalism, regulations and so on. These categories were checked again



against the substantive, highlighted statements and any needed amendments such as combining them or splitting them up were undertaken. A grid/matrix (Gillham, 2000, Miles *et al.*, 1994 cited in O'Donovan, 1999) was then developed for each broad/main interview question. Categories classified under these questions were entered into the grid/matrix. The researcher then went through the transcript assigning each substantive/highlighted statements (where possible) and any memos or notes that the researcher made to a category (Gillham, 2000). After re-considering the analysis grid/matrix a number of times, interviews analysed in this fashion made up the material for the final analysis and writing up.

#### 8.2.3.3 Writing Up Interview Data

In the process of writing up the interview data, questions that formed the basis for the grid-analysis/matrix were treated as headings. Categories under each question were treated as sub-headings, illustrated by the quotations the researcher decided to use. The researcher, in the process of selecting quotations, tried to select the most 'representative', 'vivid' or 'compelling' ones, with an eye on an honest balance (Gillham, 2000, p.76). Each category was supported with a reasonable range of quotations so the analysis would present the overall shades of opinions and important variations that can only be captured by illustrating a range of quotations. In some occasions, and where it was possible, some quantitative data were presented to reflect the generality of the kinds of statements quoted, by citing how many of the interviews made that point (or one like it) or how many made different or contradictory points (Gillham, 2000, p.76). These opinions and attitudes were analysed afterwards in line with the researcher's appreciation of the literature and the Syrian context and recommendations were later presented.

#### 8.2.3.4 Philosophical Notes on Semi-Structured Interview Analysis

One important point must be noted regarding the use of un-structured and semi-structured interviews studies as part of qualitative research: interviews are not neutral tools of data gathering (Denzin and Lincoln, 2000). No matter how many precautions and efforts are taken in line with a concern to be as open to various views as possible, the interviewing process remains highly subjective. Denzin and Lincoln, (2000) explain

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<sup>180</sup> These include, for instance, some warm up discussions such as interviewees getting to know the interviewer and asking her about her experience of living in the UK.

that the spoken or written word has a residue of ambiguity, no matter how carefully we report or code the answers. The categorisation process also involves a high level of subjectivity. As Gillham (2000, p.70) notes, 'categories are formed in a human brain, they are a product of human intelligence. They are not an objective property of objects'. Therefore, it is not only the case that we can not achieve 'definitive' categories, but also, that these category headings by themselves can not convey the essential character of the statement so classified (Gillham, 2000).

Yet, despite the above limitations, interviewing is one of the most common and powerful ways in which we try to understand our fellow human beings. An advantage of the interview lies mainly in its active interaction ability between two (or more) people leading to negotiated, contextually based results (Denzin and Lincoln, 2000). The value of this interaction between the interviewee and interviewer is, of course, clearer if the interviewer, as here, understands the language and culture of the interviewees.<sup>181</sup>

### **8.3 Interview Findings: Discussions and Analysis**

Interview results discussed here relate to Syrian accountants' perceptions and attitudes regarding social accounting and its implementation in Syrian society. Perceptions and attitudes in respect of accounting more generally are discussed to the extent this informs an appreciation of the social accounting focus in the Syrian context. The author attempts to give a voice to Syrian accountants by seeking insights into their opinions, perspectives, experiences and concerns in respect of accounting/social accounting. This analysis also contributes to an understanding of how key contextual factors such as Islam and colonialism/imperialism in respect of the accountancy profession in Syria continue to impact on Syrian accountants' lives, culture, ways of seeing and opinions. Of particular concern to the study is the way that the new global order influences international accounting regulations. Its influence contributes to the spreading of the Western capitalistic culture as a 'global culture' excluding other values and cultures. Syrian accountants' views of the mobilisation and the improving social accounting in Syria, this chapter will demonstrate, are significantly influenced by this global order. Interview findings reported in this section should aid in the study to envisioning of a way-forward for bettering accounting/social accounting practices in Syria and beyond. The discussion and analysis aim to contribute to the critique of dominant Western



practices by, in part, incorporating insights from other settings and cultures, such as the Arab one, that are rarely incorporated in accounting/social accounting literature. Discussion and analysis of the semi-structured, face-to-face interviews with 19 Syrian accountants from different professional backgrounds (see appendix 4) is here structured into four parts. The first part seeks the perceptions of Syrian accountants towards the social responsibility of business in society. It aims to explore the opinions and attitudes of Syrian accountants towards the wider context in which accounting is practiced and to critically analyse the implications of these views for accounting. The second part seeks to explore Syrian accountants' perceptions in respect of the role that accounting/social accounting can play in society. It critically analyses these views in reference to conventional/Western or alternative/radical orientations. The third part seeks to explore Syrian accountants' perceptions of social accounting in practical terms. It attempts to consolidate Syrian accountants' attitudes towards social accounting in principle and in practice. The fourth part of the interviews brings insights from Syrian accountants into how to better social accounting in Syria and beyond.

### ***8.3.1 Views of Social Responsibility***

Calls for openness, accountability and transparency have been integral components of debates surrounding corporate social responsibility. Corporate social responsibility debates, therefore, and their questioning of the role of business and the impact of business on society, have been integral to calls for social accounting and reporting (Owen *et al.*, 2000; Gallhofer and Haslam, 2003). Social accounting and reporting, consequently, have come to be often perceived as a manifestation of corporate social responsibility (Gray *et al.*, 1996, cited in O'Dwyer, 1999, p. 104). It is of interest, therefore, to investigate and explore Syrian accountants' perceptions of the role of business and the notion of business social responsibility in society. These perceptions provide an understanding of how and what Syrian accountants conceive the context in which accounting is practised in Syria to be. The section highlights whether these perceptions are orientated towards an emancipatory and radical position that challenges or goes beyond the traditional and conventional counter radical position discussed in chapters two and three. The section also attempts to investigate the impact of key contextual factors in Syria, especially Islam and the colonial/imperial experience(s), on

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<sup>181</sup> While this is the case in this study, as the interviewer is a Syrian, native Arabic speaker, some of the value may be lost due to the translation process! Awareness of such possibilities is however a step in the direction of overcoming them.



Syrian accountants' attitudes towards social responsibility and seeks to draw insights from this. These insights aid the study in investigating the possibility and potential for change and a challenge to dominant Western views by Syrian Arab accountants' perceptions.

Interviewees were first asked what they perceived to be the main role and primary responsibility of business in Syrian society. In general, interviewees were in broad agreement that any business organisation plays both an economic and social role in Syrian society. The degree of emphasis on a certain role and responsibility of business in society, however, varied among interviewees. The majority of interviewees perceived the social and economic responsibility of business organisations to be of equal importance and maintained that neither of these responsibilities achievable without other. Some interviewees maintained distinctions between public and private sectors' roles and responsibilities and between small and large companies' roles and responsibilities. Only two interviewees, out of 19, considered economic objectives to be the sole purpose of business organisations' existence. Explanations of what was meant by economic or social role and responsibility tended to be rather brief and general. The economic responsibility or role was mainly perceived to mean profit generation and maximisation of shareholders' value and on some occasions the provision of products and services to customers. Employment and the creation of job opportunities were the most prominent social role of any business organisation perceived by interviewed Syrian accountants. Other social roles or responsibilities included the environment, poverty reduction, importing state-of-the art technology, education, training of employees, and meeting governmental plans. On some occasions, as will be seen later, interviewees' comments indicated an understanding that 'economic' and 'social' roles differ, but in the meantime they overlap.<sup>182</sup>

As mentioned earlier, the majority of interviews conceived the role of business organisations in society to be both social and economic. Typical comments were that '*Any business organisation has two objectives namely economic and social*' (I3) and '*business organisations have economic and social roles*' (I6). The majority of interviewees emphasised the notion that economic and social responsibilities of a business should go hand in hand and that neither are achievable in isolation of the other.

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<sup>182</sup> It is difficult to understand what precisely the interviewees meant by the 'economic' and the 'social'. It is realised that it is not possible that they used the terms virtually synonymously.



A Professor at Damascus University and an owner of a small auditing company emphasised this notion:

‘Business organisations have a development role in the society. There is usually a concentration on the economic dimension of their operations. We should not, however, overlook the human and social dimensions to business operations. We cannot imagine economic development without social development.’ (I5).

And:

‘Business is there to make profit. Supposedly the objective of any business is to maximise profit. But profit maximisation is not supposed to be the only objective. There should be a social responsibility of business, no doubt about it’. (I2).

Similarly a lecturer at Damascus University stressed that:

‘Businesses aim at maximising profits in the main and this is as far as shareholders are concerned. But there are other objectives, whether social, ethical or human ones.’ (I16).

Syrian accountants’ emphasis upon the social responsibility and role of business in society can be explained with reference to Syria’s social and political context. Islam is the major religion in Syria; ninety two percent of Syrians are Muslims (see chapter five). Islam is a religion based on social justice and the welfare of the Umma. The main objective of Islamic Sharia, as noted in chapter four, is to establish justice and promote social welfare (Rahman, 2000; Haniffa, 2004). Islamic Sharia, accordingly, dictates that business objectives of generating profit should be subject to the constraint of avoidance of engendering harm to the surrounding community. In this context, the Prophet was quoted as saying ‘averting harm is paramount to the generation of utility’ (Qaradawi, 2002). Consequently, Syrian accountants’ orientation to the social, as distinct from the narrowly economic, can be seen to be influenced by these Islamic teachings that perceive business activities to implicate significant social responsibility. Another socio-political aspect of the Syrian context that may have an influence on Syrian accountants’ perspectives of business social responsibility is socialism. Chapter seven has elaborated how Syria turned to socialism after its independence to protect itself against new forms of imperialism (Meri, 1997). Central to socialism and socialist teachings in Syria at the time was the removal of the means of production from the bourgeois class and the landed elite. It required the levelling of social and economic distinction within the Arab

society (Quilliam, 1999). The public sector became the largest in Syria, with all major industries run by the government. This ideology of redistribution of wealth promoted by socialism and that prevailed over Syria for a long time, at least in principle, may have informed Syrian accountants' emphasis on the social role of business in society. As the case with other socialist/communist economies, a dominant public sector and a central planning and co-ordination mechanism helped to displace the profit motive. The declared motives usually included raising living standards; full employment and securing military capacity (see Dosa *et al.*, 1995). The large public sector in Syria has also meant that most interviewees in this study have been involved with that sector at one point of their career (see appendix four). These factors might have contributed to the shaping of Syrian accountants' views of business social responsibility.

Two interviewees, a senior auditor in an international auditing firm and a young practitioner, explicitly stated that the main objective of any business is a financial one, namely the generation of profit:

The main business objective in any country is profit. Even in Saudi Arabia, they aim to make profit...The principle objective is the same [everywhere] that is, profit.' (I15).

It is not clear why the interviewee uses the expression 'Even in Saudi Arabia they aim to make profit'. This could be due to the interviewee perception that Islamic principles (which are anticipated to affect Saudi Arabia more than other countries) question the absolute prioritisation of profit. It could also be that he thinks that the interviewer believes that this is the case.

A young practitioner also perceived the sole responsibility of business organisations to be a financial one:

[Business organisations] are based on the concept of profit maximisation. Their role is limited to maximising profits. (I14).

It is interesting to consider the background of the two interviewees that perceived the sole role of any business organisation to be a traditional one: that of profit maximisation. The first interviewee is a senior auditor in an international accounting firm (at the time it was Arthur Anderson). International accounting firms, as discussed in chapter five, are mainly American and British. They tend to train local accountants to service the audits



of multinational companies to American and British concepts (Samuels and Oliga, 1982; Hove, 1989). It is not surprising, therefore, to find that the Syrian senior auditor in this international accounting firm holds Western and what might be considered conventional perceptions of business social responsibility. These perceptions could be the result of training as an auditor in a Western international firm that, arguably, form an important medium for the continued spread of Western perceptions and worldviews in today's global order (cf. Held and McGrew, 2002; Monbiot, 2003). The other interviewee that held these traditional views is a young practitioner who had just finished his accounting education. Gallhofer *et al.* (1999; 2004) have reported similar attitudes and orientation by young Maori students towards Western worldviews. This could be due to the aspiration of these young people towards Western ways of living, promoted to them by various media communication tools as superior and modern. It could also be due to the significant impact of Western education programmes and professional training on young people. Western hegemonic, highly substantive, influence over the international community and international organisations contributes to the spread of Western worldviews, especially among young people. For Said (1993), universality in any field is coming to mean the application of Western practices in that field. It could be argued that the field of social responsibility is not an exception. Globalisation and MNCs are contributing to the spread of these Western worldviews on the global level, including the Arab world. The first social responsibility conference held in Dubai, funded by a number of MNCs such as Shell and McDonalds, promoted social responsibility, including the GRI initiative, as a corporate-led, voluntary exercise and as a conventional performance enhancement tool (see chapter five). Little mention was given to the relationship between social responsibility and Islam in this respect. This replacement of the cultural and Islamic values with Western corporate values in the Arab world could undermine serious efforts to promote corporate social responsibility there. Social responsibility promoted according to the Islamic and cultural characteristics of Arab societies may be more convincing of Syrian/Arab accountants, as it represent social responsibility as an integral practice of Muslims' everyday lives.

Many interviewees, in their identification of business social responsibility demanded the distinction between private and public sector roles in society.<sup>183</sup> The majority of interviewees viewed social responsibility to be particularly the role of public sector companies, while perceiving the private sector role to be concerned with generating

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<sup>183</sup> A public sector in Syria refers to complete state-dominated industries (see chapter seven).



profits and the provision of goods and services in the first place. One lecturer at Damascus University remarked that:

‘We should distinguish between private and public sectors. The public sector has more comprehensive objectives and undertakes projects that have long-term strategies and benefit the society at large. The private sector’s main objective is profitability through the provision of products and services.’ (I4).

An accounting teacher at the Technical College of Economics in Damascus stressed that both public and private sectors have different social roles to play in the Syrian society. She stated:

‘...the public sector in Syria has concentrated on employment and decreasing non-employment more than the development of the economy and importing state-of-the-art technology...The private sector could play the role that the public sector is not playing due to lack of resources. The private sector is more able to engage with the international community to bring the latest technologies to Syria.’ (I19).

The distinction between the public and the private sector role in society should be understood in light of the politico-economic structure in Syria. In Syria, as a result of socialist policies, the state controls all major business institutions. In this sense, despite the increased importance of the private sector in Syria in the last three decades, its expanding role, so far, is in the form of small and medium sized businesses and not in key industries like electricity, water or oil. The Government also still has a strong hold over regulating the business environment in Syria. Therefore, while the private sector today contributes 55% of Syria’s GDP and employs 75% of industrial labour (Quilliam, 1999, see also chapter seven), the State is still viewed as the major player in the business community in Syria. Social development and social concerns are perceived to be primarily Government’s responsibility. In the same vein, there seemed to be confusion over the social role, especially the environmental one, which small sized services companies can play. One manager of a small auditing firm recognised the significance of social and environmental responsibility of small companies in general:

‘Of course everyone plays a role. Add small companies together, they have a big impact. This issue (social and environmental responsibility) should be considered by all companies, whether small or large’. (I1).<sup>184</sup>

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<sup>184</sup> In addition to the above understanding of the social responsibility of small businesses, it could also be argued that small companies have a big impact on the lives of particular individuals.



But when asked about the environmental policy of his firm, he remarked:

‘What is the relationship between an auditing company and the environment?’  
(I1).

Therefore, while the interviewee perceived small companies to have a significant social role in society, he did not perceive them to have a role in an important dimension of business social responsibility: environmental responsibility. Again, this kind of contradictory perceptions in respect of small, private business social role in society could be explained in the light of the Syria politico-economic structure. The Syrian government, besides controlling the main industries in Syria, has a significant role in regulating and controlling the business environment in Syria in general (see OBG, 2003 and Europa Regional Surveys of the World, 2004). This significant involvement of the state in the business environment may be behind Syrian accountants’ contradictory perceptions in respect of small business social responsibility. Therefore, owners of small business, such as this auditing firm owner, have a different understanding of their social responsibility in Syrian society. While the interviewee did not perceive his small auditing firm to have a significant environmental responsibility, he conceived his firm to hold significant responsibility towards its employees:

‘...I try to make sure that my employees feel that the company is a second family for them.’ (I1).

The above statement indicates an understanding by the interviewee that a small company can have a big impact on the lives of particular individuals. The above statement also highlights an important social aspect of Eastern and Islamic societies: the family. A family for Arab and Islamic societies represents the strongest form of solidarity and closeness within the community. For Arabs and Muslims, the family is the basis for healthy and cooperative communities. Relationships within the community are an extension to the relationship within a family. Other members in the community are referred to as brothers or sisters in Arabic language. The Prophet was quoted saying: ‘None of you believes (completely) until he loves for his brother (other members of the community) what he loves for himself’. The Prophet was also quoted saying: ‘All Muslims are like a single body. If one part is hurt, the whole body feels the pain’ (Hourani, 1991; Rahman 2000; Haniffa, 2004). Such connection between the family and



society in Islam indicates the duty of Muslims to practice a similar responsibility to one's family and society. This is in contrast with the traditional Western business thesis of individualism and self-interest. While individualism justifies the prioritisation of the profit maximisation concept in business activities, the emphasis on the family concept emphasises the welfare of society and community in business activities. These alternative views of business and business activities in Islamic teachings represent a possible departure from and alternative views to the individualistic and capitalistic problematic ideologies dominant in the West (see chapters two and three).

Few interviewees elaborated on what they meant by business social responsibility or the social role of business. When interviewees were asked to demonstrate further what they understood social responsibility to be, the majority of them perceived it to include job creation and business responsibility towards employees. Education, Environmental protection, importing state of the art technology and reduction of poverty were other business social responsibilities named by interviewees briefly without further elaboration. A typical example is illustrated in the following:

'...business organisations should increase job opportunities and reduce poverty.' (I7).

It is not surprising that, for most Syrian accountants, social responsibility represents the creation of jobs and reduction of poverty. Unemployment, as discussed in chapter seven, is one of the most critical social problems in Syria. Increased numbers of young people entering the labour market every year combined with a near economic isolation imposed on Syria on the global level, is increasingly accelerating the unemployment and poverty problems in Syria. After the fall of Syria's main ally, the USSR, at the beginning of the 1990s, Syria found itself isolated on the global stage.<sup>185</sup> Syria's Arab neighbours at the time have all exceeded Syria with their open market policies and all had better relations with the West and the USA (see chapter five and seven). Syria, consequently, found the need to hurry towards the West and increase its measures of liberating the economy in order to end this isolation. Nonetheless, Syria, as a result of its geopolitical conflict with Israel (see chapter seven) and its previous relations with the communist Europe, has failed to gain substantive legitimacy in the US.<sup>186</sup> Consequently, Syria has been facing

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<sup>185</sup> At the time nearly 70% of Syria's foreign trade was with the Eastern block and the Soviet Union (Europa Regional Surveys of the World, 2003).

<sup>186</sup> The US has recently increased its sanctions on Syria and vetoed Syria's membership of the WTO (Euromoney, 2002; Independent, 2005). The sanctions cover all US exports except food, medicines, commercial-jet spare parts and communications equipment. They also include a ban on flights between



difficulties in creating jobs and in improving the growing population's living standards (see OBG, 2003 and Europa Regional Surveys of the World, 2004). Employment, therefore, represents a major concern for Syrian accountants.

Other social responsibility issues highlighted by interviewees included the importance of business responsibility towards employees:

'The social impact of a company starts from inside the company and the internal environment within the company. The employee should feel respected and should be given more freedom to give opinions at work ... So we should start by building the individual's sense of responsibility. Companies should pay more attention to the development of their employees. This is not only limited to giving them better salaries for better living standards, that is not enough. What is required, and is missing, is that (employees) are not squeezed in return for this salary. Training and education courses should take place. Companies should develop their employees, give them more to expect more from them in return, and should expose them to new technologies.' (I19).

Another interviewee talked of the role that multinational companies should be playing in Syria, especially as far as education is concerned:

'Many chemical and oil companies are operating in areas that are socially undeveloped. These companies work in the desert and less populated areas. Therefore, I think that there is a lot of scope for social development and social expenditure there. Most of these companies work in the North-East area of the country. These areas are far away from the capital [Damascus]; suffer from many social problems such as lack of awareness and lack of schools. These companies could fund the establishment of a university in these areas, whether a governmental or private university as these areas are far away from the main universities in the country. In addition, these companies could spend money on the development of roads, schools or even courses that have to do with the industry they are operating in.' (I11).

Education and training of young people and employees is another major concern for the Syrian society. As chapter seven demonstrated, Syria's average population growth remains the highest in the region. Ninety seven percent of Syrians are under the age of 64 (Europa Regional Surveys of the World, 2004). Therefore, providing adequate training and education for young people is a social concern as highlighted by interviewees. Furthermore, in reference to (I11)'s above statement, debates surrounding multinational corporations' (MNCs) social responsibility and role are not limited to the Syrian context. It is a concern for many developing and developed countries. Writers

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Syria and the US and empower the US Treasury to freeze the assets of Syrian organisations. The sanctions also include barring US businesses from investing in Syria and restricting travel in the United States by Syrian diplomats (theunjustmedia. Com, 2005; english.aljazeera.net, 2005).



such as Monbiot (2001, 2003) have highlighted the controversy surrounding MNCs activities, especially in 'developing' countries. Monbiot (2003) highlights how these corporations exploit the wealth and societies of these nations in order to maximise their shareholders' wealth. They are in this process protected by their home countries' governments and by international organisations such as the IMF and World Bank (see Monbiot, 2003). In reference to the Syrian context, while Syria is at this stage seeking to attract foreign capital and MNCs to operate in Syria, it is in danger of falling into the trap, like many other postcolonial countries before it, of providing significant concessions to MNCs in order for them to operate in Syria. These concessions may influence the welfare of the Syrian society and environment (See Held and McGrew, 2002 and Monbiot, 2001, 2003 on the impact of multinationals and business in developing countries).

Only one interviewee, a finance manager of the largest public holding company in Syria, an ex-high governmental figure and the creator of the ASCA, highlighted the issue of equal opportunities and women's status to be of concern in Syrian society:

'The professional woman is another important issue that we should care about as an oriental [Eastern] society. We should provide her with nurseries within the company; give her more maternity leaves and shorter working hours to take care of her children.' (I3).

The little attention given to equal opportunities and women issues could be due to most of the interviewees in this study being men. This could also be due to the notion that the Syrian woman enjoys a number of statutory rights that are not available to women in other Arab countries. The Syrian constitution, for example, manifested in 1963 after the Ba'th Revolution, requires that men and women enjoy equal rights in the Syrian society. Furthermore, and as mentioned earlier, Syria is one of few Arab countries that demand the equality of the sexes in wages and salaries, especially in the public sector, where working mothers enjoy a selection of facilities including the provision of nurseries and kindergartens (OBG, 2003). Discrimination against women in the working place, if manifested, is, therefore, largely a result of cultural and traditional codes that attached great importance to the family in the Syrian society and perceive the paramount value of a woman in society to be her motherhood. One interviewee when asked about equal opportunities and women issues answered:



'In Syria there are many opportunities for women to be part of top management. Nevertheless, again, social issues impose themselves ... In our society men are preferred in the work place from the notion that the minute the woman gets married her priority is her home and children. Therefore, all the experience and training that she gained is lost, and the company has to get another person and train him/her to fill the gap, which takes effort and time... Of course I am against such a thing, and the proof is that in my office I have more women than men... There are many examples in Syria of very influential women, especially in the governmental sector, who have been able to overcome such obstacles and are very well known for their professionalism, and highly respected in their field.' (I1).

A number of interviewees remarked on the potential conflict between social and economic objectives in relation to the responsibility of business. One interviewee mentioned how environmental protection objectives could clash with business objectives of profit maximisation:

'This objective (environmental protection) requires costs that organisations are not willing to take'. (I11).

Interviewees also pointed to the probable contradictions between different social objectives:

'... (T)his objective (improving the latest state-of-the-art technology) contradicts in some cases with (the social goal) of maintaining the highest number of labour by organisations'. (I4).

Some interviewees also talked of contradictions and conflicts between different social objectives, such as increasing employment rates and improving skilled labour living standards:

'There are other problems in our country such as masked unemployment.<sup>187</sup> Governmental organisations contain more employees than are needed as a result of previous governmental attempts to reduce unemployment - a problem which itself has two faces. On the one hand, employed people have a better self-esteem and a better feeling of contributing to national welfare. Such masked unemployment, however, results in unfair income distribution to the available skills. In other words, overloading organisations with workers and employees results in low salaries and wages, which mean that highly skilled labour does not receive the income they should have, which results in low living standards for educated and skilled labour. On the other hand, this policy reduces redundancies, which results in serious social problems.' (I4).

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<sup>187</sup> Masked unemployment is a term used in Syria referring to recruiting more people than the organisation needs in order to keep national unemployment records down. Masked unemployment is an issue in public sector companies.

This realisation of the conflict between social and financial objectives of business or between the different social objectives, as the case with interviewees' views of business social responsibility in general, represent something of a departure from the corporate social responsibility mainstream debates, which, on many occasions, portray social responsibility to be a simple and straightforward exercise that results in a win-win situation for companies, their shareholders and society (see O'Dwyer, 1999; Owen *et al.*, 2000; Gallhofer and Haslam, 2003). An understanding of the complexity of the social responsibility issue by Syrian accountants represents an awareness of the difficulties embedded in practising social responsibility. An awareness that may question the sufficiency of the voluntary approach in conventional corporate social responsibility manifestations.

### ***8.3.2 Views of Accounting/Social Accounting***

Section 8.3.1 has reported on Syrian accountants' perceptions of the social responsibility and role of business in society. It elucidated the way in which Syrian accountants interviewed in this study conceived the context in which accounting operates and comes to be. Most of the interviewees perceived the role of business in society to include social and economic roles. This section reports on Syrian accountants' perceptions of the role of accounting/social accounting in society. Interviewees' perceptions of accounting varied between traditional/Western perspectives and radical/alternative perspectives of accounting. On the one hand, a number of interviewees perceived accounting as merely an 'objective science' to communicate financial information and facts. On the other hand, a number of interviewees perceived accounting as a social phenomenon that affects and is affected by society and that has social and environmental dimensions as well as a financial one.

#### ***8.3.2.1 Traditional/Western Views***

A number of interviewees conceived accounting from traditional/Western perspectives. They explained that the main purpose of accounting is to provide 'objective' and 'financial' information for decision-making purposes. A young practitioner explained that:

Accounting helps owners of the business to know where they stand and what their financial performance is. Accounting is an objective science that is built on specific bases and standards.' (I14).



Similarly a senior auditor in an international accounting firm noted:

‘Accounting is the tool to judge the ability of management to run the company. Accounting also is used to help investors and management to make decisions.’  
(I15).

One interviewee, an owner of an auditing firm who previously held a high governmental position in the tax department in the Ministry of Trade and Supplies, explained why he does not perceive accounting to have a leading role in bringing change to society. He proclaimed that accounting is there to reflect rules and regulations rather than effect or change these rules and regulations:

‘We do not start with accounting to change environmental or social practices. Accounting is a mirror that reflects rules and regulations. If these rules and regulations do not exist, accounting can not reflect them. An accountant’s role is only to make sure that regulations are being followed. The only thing that accounting can do is to reflect any spending on these issues (social and environmental) in financial statements to demonstrate the company’s participation in protecting the environment. (I1).

The perceptions of the above interviewees appear to conceive accounting from a traditional/Western perspective. Accounting, according to these understandings, is an ‘objective science’ that reflects what exists in reality. These understandings reduce accounting to a relatively technical, non-problematic practice of recording the facts that are simply to be recorded and reported (see, for instance, Hopwood, 1983; Gallhofer and Haslam, 2003). Accounting, according to such understandings, does not play a role in changing or enhancing elements of the *status quo*. These opinions take little notice of how accounting can be mobilised to enhance or repress some elements of the *status quo*. For instance, accounting, by concentrating on ostensibly objective, directly quantified transactions, is displacing qualitative issues that would help in considering the social and philosophical nature of events and transactions (Lowe *et al.*, 1991; Boyce, 1998; Gallhofer *et al.*, 1998). Syrian accountants’ perceptions along these lines can repress accounting’s more emancipatory potentials that contribute to the enhancement of radical change possibilities and the betterment of society.

It is of interest to consider the background of interviewees that expressed these traditional and Western views of accounting. As is the case with traditional views on business social responsibility, interviewees expressing these views are mainly from a



professional background including the senior auditor in an international accounting firm and the young practitioner whose views were discussed in the previous section. It is not surprising to find that an auditor in an international accounting firm holds such Western views of accounting and its role in society. International accounting firms, as discussed in chapter five, bring with them accounting standards and practices that were developed in a Western, capitalistic context, suitable for and meeting the needs of Western economies and societies. Syrian accountants trained according to these Western perceptions will, consequently, hold a traditional view of accounting and its role in society, as their training programmes do not go beyond the financial dimension of accounting. Even within the financial dimension, the emphasis is on maximising shareholders' wealth, without significant considerations to the impact of these financial objectives on society and the environment (see Samuel and Oliga, 1982; Hove, 1989). In a similar fashion, young Arab practitioners' perceptions of accounting are also influenced by these Western views. Islam (2003) has pointed out how many Arab countries are requiring, or at least encouraging, their auditors today to have professional qualifications from the UK and the US. Furthermore, recent orientations of all Arab countries towards the market economy are usually accompanied by the adoption of IASs as a basis for their practices (see chapters five and seven). As a result, young people's education and involvement with accounting in the Arab world are largely informed by Western accounting models. These models, as discussed throughout this study, largely ignore social or religious dimensions in accounting. On the contrary, they are, to a large extent, mobilised to enforce capitalistic policies, which could result in social injustice and increasing power asymmetry in society (see Tinker, 1984a,b,c; 1985, 2004 and Lehman, 1999). Gallhofer *et al.* (1999) argue that Western institutions that promote Western accountancy and accounting education represent forms of insensitive cultural imperialism. Similarly, in a study of accounting education and training in Trinidad and Tobacco, Annisette (2000) argues that the dominance of the British-Based ACCA in the education and certification of professional accountants has contributed to the subversion of the nationalistic goal of indigenoising accountancy training in T&T. These institutions are displacing somewhat radical views of accounting, informed by particular cultural elements, by announcing Western practices as universal.



### 8.3.2.2 Radical/alternative Views

While interviewees' perspectives reported in section 8.3.2.1 were orientated towards the traditional and Western views of accounting, a slightly larger number of interviewees, ten out of 19, expressed more radical and emancipatory views of accounting and the role of accounting in society. An accounting teacher in the Technical College in Damascus maintained that:

'Accounting has to do with every single activity in our life.' (I19).

The above statement is interesting in that it directly connects accounting to life. Such connection indicates an understanding of accounting to go beyond quantifiable dimensions of life activities, to extend to unquantifiable ones such as feelings and the well-being of humans in general. It also departs from the traditional view of accounting, where accounting is perceived to be objective and nearly divorced from subjective sciences.

Another interviewee, a lecturer at Damascus University, also stated:

'The understanding of accounting's role and accounting information is developing and changing. There is now more awareness of the social and environmental role of accounting.' (I16).

A number of other interviewees illustrated in more detail the relationship between society and accounting, such as this ex-high governmental figure and current lecturer and manager of a consulting firm who pointed out:

'Society and the environment are the basis for all sciences. There should be interactivity between accounting and society. Accounting is a tool to serve society and the community. The environment, for instance, is part of that society, therefore, it will affect accounting and be affected by it.' (I9).

Interviewees have also communicated their perceptions of accountants' role in society. For instance:

'The accountant has an important role participating in providing information and participating in decision making and setting policies for the future whether for the company or the country, whether in public or private sectors.' (I7).

The above statements represent interesting and radical insights and opinions of accounting and its functioning in the social context. These interviewees have referred to the social and environmental dimensions of accounting. Interviewee (I19) has even considered accounting to be involved in every human activity. The above statements demonstrate an understanding, at least by some interviewees, that the social can influence the technical practice of accounting (see chapter two, see also Hopwood, 1983, and, Lowe *et al.*, 1991). The statements also illustrate an appreciation of the social role of accounting in society, as the above interviewee explained: 'accounting is a tool to serve society and the community' (I9). These understandings represent somewhat radical views of accounting that perceive it as a social phenomenon, which interacts with the *status quo* and can change that *status quo*.

It is of interest to speculate the reasons and factors behind these radical views held by a number of Syrian accountants. The background of these interviewees could be of special relevance. While analysing the interviews in accordance with interviewees' professional background could be problematic due to the wide involvement of Syrian academics in the accounting profession and practice, it is noticeable that the majority of the interviewees expressing such radical views are largely representative of an academic background. Academics in general tend to be more involved in theoretical considerations, where different perspectives and opinions are more widely discussed than in the professional environments. Other more general factors that may have impacted on these interviewees' perspectives include the impact of socialism and socialist ideology that prevailed on Syria after independence, especially in the 1960s and 1970s. These teachings and slogans, at least in principle, could have had an influence on Syrian accountants' perceptions of business organisations' role in society and therefore the role of accounting in society as well. These radical views, furthermore, seem to be in line with the accountant's (Muhtasib) role in Islam. As seen in chapter four, the 'Muhtasib' enjoys an authority derived from a verse of the Quran, which incorporates the duty of 'bidding into good and rejecting what is disapproved' (Hourani, 1991, p.134). These perceptions may have contributed to informing Syrian accountants of the social aspects and roles of accounting. Such somewhat radical views of accounting and accountant provide a challenge to the Western/traditional views of accounting. They are



emancipatory in that they challenge the financial economic dimensions of accounting as well as go beyond this dimension. These somewhat radical perceptions, put forward by Syrian accountants, can be mobilised to contribute to the enhancement of the radical potential of accounting/social accounting role in the Syrian society and beyond. They could form the basis for bringing about more radical/emancipatory views and practices to Arab accounting. They could also be put forward on the global level as possible alternatives to the dominant capitalistic and secular views of accounting and its role in society.

### *8.3.3 Views of Social Accounting in Practice*

As noted earlier, the majority of interviewees considered the role of a business organisation in society to be both a social and an economic one. Many Syrian accountants have also perceived accounting to be a social science that impacts on the social and the environment. Nevertheless, when interviewees were specifically asked of their perception of implementing a form of social accounting<sup>188</sup> in practice in Syria that reflects better the social dimensions of business activities, responses were more mixed. A number of respondents viewed social accounting as a 'luxurious' form of accounting that Syria, as a 'developing country', cannot afford to adopt at the present. Some interviewees indicated that it is a form of accounting only suitable for 'developed' countries that have already a good financial accounting system in place. A number of interviewees, especially those from a professional background, were completely resistant to the idea of introducing a form of social accounting to Syria's accounting practices. The young practitioner, whose views were discussed in previous sections of this chapter, was completely resistant to the idea of social accounting:

'In my opinion, accounting has nothing to do with the environment. This is not the role of accounting. Accounting should be objective and has nothing to do with soft feelings. Me as an accountant, my numbers should be neutral and have nothing to do with the environment. It is true that organisations have an impact on the environment and society, but it is not the role of accountants to deal with this issue, it is management's role to deal with it.' (I14).

As discussed in section 8.3.2.1 this young practitioner throughout the interviews has expressed traditional and conventional views in respect of accounting and social

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<sup>188</sup> The researcher in many cases had to explain what is meant by social accounting and reporting. Her explanation was in line with the understanding given in this study. The researcher, however, tried to be careful not to impose her own understandings and perceptions on interviewees.



responsibility. It is not surprising, therefore, to find him resistant to an implementation of a form of social accounting in Syria. The young practitioner views, as discussed earlier, could be analysed in light of the Western training and education style programmes that young people are subjected to in recent years in the Arab world (see chapters five and seven as well as section 8.3.2.1). The dominance of these Western views of society, business and accounting over particular cultural views can be analysed in light of postcolonialism and the orientalist thesis. Said (1978) argues that Orientalism was not simply limited to the rationalisation of the colonial role. Rather, the colonial role was justified in advance by Orientalism, rather than after the fact (see chapter two). It could be argued that this is also the case with new types of imperialism. The way in which the West today represented itself as superior, dynamic and innovative, allows it to claim itself as the spectator, the judge and jury of every side of Oriental behaviour (Said, 1978; 1993). Accordingly, the European model, in any discipline, developed by the 'superior' and 'logical' European person, becomes the rule, the standard bearer from which the rest of the world's peoples are assumed to reap benefits and strive to copy, whether politically (Western democracy), economically (capitalism and marketisation), socially (individualism) or culturally (secularisation) (Sadiki, 2003). The enforcement of these superior models has, therefore, been presented as the duty of Western powers towards the 'inferior' Orient. Accounting, as a social tool to achieve and enforce all of the above models, is no exception. As chapters five and seven demonstrated, at the end of the 19<sup>th</sup> century, nearly all of the major political units of Islam were under some form of European control (Cleveland, 1994). By the time they achieved their independence, the Arab countries of the Middle East found themselves with a professional accounting body and companies legislation on the British (or French) models (McKee *et al.*, 1999). After independence, continued Western influence and control through, for instance, international organisations, foreign aid and global economy enhanced the spread of Western accounting models in these countries. Islamic and cultural specifics of Arab societies have consequently been suppressed and prevented from impacting in a significant way on a number of social activities and sciences in the Arab world including accounting. Accounting practices and accounting education have, therefore, come to emulate those of the West. In line with the Western/traditional view of emphasising the financial over the social dimension of accounting, an accounting firm manager advised the researcher to turn to a more practical branch of accounting:



'The issue of accounting and its impact on society and the environment is a new topic that is not yet considered in our country. You should have taken up something more practical such as cost accounting. It is more enjoyable and more developed. And at the moment these [cost accounting experts] are what our country needs.' (I8).

A fewer number of interviewees, mainly from an academic background, were in favour of introducing social accounting to Syria. One interviewee, a lecturer at Damascus University, explained that accountants and accounting should find a way to incorporate social accounting in their practices:

'Accounting and accountants should find a way to deal with social and environmental issues that are not measurable. Accounting tends to neglect anything that we cannot measure in financial terms. Accounting should find a way to cover these issues. This could be achieved through qualitative disclosure. In this case, we should be careful as narratives can be a little bit vague and misleading if the company intend them to be so. Therefore, social financial disclosure should be developed. If the domain of social and environmental accounting develops and there would be social and environmental accounting standards that show companies how to deal with the issue, this will encourage companies to disclose more and spend more on these issues'. (I11).

As mentioned earlier, academics seemed to provide more radical and alternative views of the way accounting should be perceived and practiced. Another academic interviewee shared with the researcher his educational experience and background. He was educated in the German Democratic Republic (the former East Germany). He explained how his studies under the GDR socialist system made him understand accounting to be 'dynamic' in that it should continuously be adapted to meet the demands and changes of the macroeconomic environment:

'They had such a committee the sole duty of which was a continuous development of the accounting system. And indeed there was a continuous development year by year. Every time changes took place that required different types of information, the accounting system was developed to meet these needs. The process should be a dynamic one and not a stagnant one as the situation in Syria at the moment.' (I10).

The interviewee, in this sense, was open to the idea of changing accounting to incorporate social accounting practice.

Between the above two opposite views of the importance of implementing social accounting in the Syrian society, the majority of interviewees expressed an appreciation of the importance of social accounting but expressed the views that this type of

accounting is not suitable for Syria at the present. They explained that Syria at this stage of its development more urgently needs a 'sound' financial accounting system and the introduction of IASs. They also explained that social accounting is a 'luxurious' type of accounting that only 'developed', 'Western' countries can afford to adopt at this stage. The following sections explain these views further in light of the Syrian context and theoretical background.

#### 8.3.3.1 Syria Needs IASs First

Interviewees were in broad agreement in respect of the poor quality of accounting practices and regulations in Syria in general. They talked of the poor accounting/social accounting practices in Syria, the poor accounting regulatory framework in Syria, the poor accounting profession and the impact of political and economic factors on this poor accounting framework in Syria. One interviewee described accounting practices in Syria as 'funny':

'The current practice in Syria is in a way 'funny'. When an auditor prepares a report, he states that the accounts were audited in line with the current generally accepted accounting practices... No one knows, however, what these current generally accepted accounting practices are. Who developed them? There is a lot of ambiguity in practices here.' (I1).

Another interviewee similarly commented on the poor accounting practices in Syria:

'Our problem is that even if we have disclosure, this disclosure is minimal and lacks explanations and details'. (I9).

Other interviewees were more cynical and sceptical about accounting practices in Syria. One interviewee explained how even the little information provided is not understood and ambiguous even to experts:

'Quite often all that companies disclose is one page for a balance sheet, one page for an income statement and you can't understand what the real position is. This is a tremendous gap in the accounting system. So there is a need for clear disclosure regulations and an ability to administer them. Quite often you might issue regulations but nobody administers them or updates them...If you look at the balance sheet of this company [holding a company account in his hand], it is ridiculous. It is absolutely not readable. I can not read it, me as an accountant. I can't read it, how could somebody who does not have any education and is a shareholder in the company.' (I2).



The above comments reflect the frustration of Syrian accountants with the ineffective accounting regulatory framework and practice in Syria. Chapter seven has revealed the out-of-date accounting regulatory framework in Syria, with a Commercial Law, Company Law and a Unified Accounting System dating back to 1949, 1957 and 1976 respectively. The negligence of developing accounting in Syria, especially for the private sector, might be due to the orientation of the Syrian government towards the central economy and nationalisation policies after its independence. As the majority of industries and trading activities concentrated with the state, there seemed to be little attention to the development of accounting standards for the private sector in Syria. These nationalisation policies, as chapter seven demonstrated, have also contributed to marginalising the accounting professional body in Syria, hindering significant independent efforts to develop accounting standards there. As a result, accounting practices in the private sector were left significantly unregulated. Dosa *et al.* (1995), in the same vein, explain the impact of socialist policies on the role of accounting. They elucidate that the way in which accounting was mobilised as a macroeconomic indicator in the post-war communist and socialist context influenced its major significance. Dosa *et al.* (1995) explain that as strategic planning was carried out by the central body and as companies did not face as much competition conditions as in a capitalistic system, accounting took on less importance at company level. Further, financial reports were not generally published and disclosure regulation was neither existent nor on the agenda – reflecting the lack of capital markets and private investors. In a similar fashion, a private professional accounting body did not have a significant role in a socialist and communist system (see also Baily, 1988 and Baily and Mackevicius, 1995). Similarly, the socialist and the state-controlled economy in Syria resulted in accounting in Syria being largely unregulated and little guidance being provided for Syrian accountants on how to report on business activities. Even where guidance is provided through the Companies Act and Commercial Law, this guidance is minimal and out-of-date (see chapter seven). Consequently, Syrian accountants today, operating in an increasingly expanding private sector, are finding this lack of standardisation and the near absence of an accounting regulatory framework to be frustrating.

As far as regulating social accounting practices in particular is concerned, the out of date sources for regulating accounting practices in Syria do not provide any significant guidance for dealing with social aspects of business activities. Syria, as is the case with other postcolonial countries, was left with an accounting regulatory model for the



private sector that is based on the occupiers' model a century ago (Briston, 1990). The Commercial and Company Laws in Syria, as chapter seven has brought out, are based on the French and British models. These Western models displace social aspects from accounting practices and concentrate on the needs of providers of finance. In recent years, Syria has been witnessing a steady move towards open market policies and towards increasing the role of the private sector in the Syrian society. The Syrian government and the accounting profession, therefore, are attempting to meet the needs of these new developments by announcing plans to update the 1949 Commercial Law and the 1957 Company Law and by encouraging the adoption of IASs (see chapter seven). There appears to be no discussions, however, on incorporating social accounting into the new regulatory framework. Interviewees commented that at this stage of Syria's history, and with such a weak accounting regulatory framework, a form of social accounting is unlikely to develop. One auditing firm manager, while agreeing that social accounting would benefit Syrian society, nevertheless opined:

'...we are far away from such accounting right now, especially in the private sector.' (I1).

The Chairman of the ASCA in Syria also noted that:

I have to say, I don't see environmental accounting practised in Syria before ten years.' (I17).

Another finance manager in a trading company made a similar comment:

'We are far away from that stage yet, we are still dreaming of applying the IASs'. (I6).

While enthusiasm towards IASs was expressed by the majority of interviewees, practitioners were the most likely to express such strong support for prioritising the adoption of IASs over other considerations at this stage. Possible reasons might be their frustration with the lack of a coherent framework for practicing accounting and auditing as interviewees explained earlier. IASs, therefore, are perceived as an easy solution to the 'funny' accounting practices in Syria. On a number of occasions, interviewees explained reasons for their enthusiasm towards the adoption of IASs in Syria on the grounds that they are the most practical, easiest option, and that they are already translated into Arabic and adopted 'successfully' by other Arab countries. Nobes (1998) explains that 'developing' countries, especially those who were previous colonies and



those who were previously part of the Eastern Block and moving towards the open market, find IASs convenient to adopt. IASs are convenient as they are ready to use and acceptable on the global level. Syrian accountants' enthusiasm towards IASs might also be due to the perception by them that if they do not adopt IASs they will be left behind on the global and regional levels. Frequently, Syrian accountants pointed to the importance of adopting IASs in order to harmonise, or make 'comparable', Syrian accounting practices with global and regional ones. One interviewee compared accounting practices in Syria with other Arab countries and demanded the adoption of IASs to improve Syria's position on the global stage:

'I am sorry to say that as far as the accounting and auditing practices are concerned, Syria is bottom compared to all other Arab countries... We need to introduce IASs if we want to catch up with the rest of the world.' (11).

Also:

'There are the international accounting standards. They are high quality standards if we compare them with the local ones, and they are already translated to Arabic by the Arab accounting association... The introduction of IASs should be beneficial, as they allow for comparison. Other countries' experiences tell a successful story. Look at Jordan and Lebanon. The introduction of IASs is a positive move as far as the economy is concerned in general and in respect of disclosure in particular. They (Jordan and Lebanon) didn't face much difficulty in applying the IASs. On the contrary, countries that tried to develop their own accounting standards found that it was a very difficult and impossible process. Having too many different accounting standards makes the process of comparison very difficult.' (15).

The above statements should be understood in light of the Arab world context. Other Arab countries in this study have adopted IASs or based their standards on IASs before Syria. This might be due to their having also pursued open market policies before Syria and having had better and closer relations with the US and the UK (see chapter five). Joshi and Ramadhan (2002) explain that IASs are perceived as fundamental for the Arab world if they want to engage with the international community. They explained that IASs are used as an international benchmark and are recognised by the EU and other supranational bodies, which make adopting IASs an incentive, if not a condition, to participate on the global stage. In countries like Egypt and Jordan, the adoption of IASs has coincided with their adherence to IMF and World Bank programmes (see Swaidan, 1997; Abd-Elsalam, 1999). It is not surprising then to find that Syrian accountants perceive adopting IASs as necessary steps for them to engage with their Arab neighbours and with the global economy. Syria, after accelerating its moves towards



open market policies, has increased its regional trading treaties with its Arab neighbours (see chapter seven). A combination of neighbouring Arab countries adopting IASs, along with the desire to engage on the global level, have convinced Syrian accountants that IASs are the best option for Syria at this stage. The impact of inter-relations between postcolonial countries on the spread of the coloniser practices was discussed in a paper by Davie (2000). The paper elucidated that postcolonial trade relations and close ties between former colonies contribute to spreading Western accounting practices among these countries. It could be argued that this is the case in the Arab Middle East. After independence, Egypt, which came under British control from 1882-1956, had a significant influence on spreading the UK accounting system and Companies Act to the rest of the Arab world. The Egyptian role was evident through Egyptian experts working in other Arab countries and importing the Egyptian/UK model or by having close relations with Arab countries, such as the union with Syria in 1958, which resulted in adopting the Egyptian Companies Act at the time (see Al-Rehaily, 1992; Abdeen and Yavas, 1985; and, chapters five and seven). An ex-Trade and Supplies Minister, a current finance manager of the largest public holding company in Syria, the founder of the ASCA and the accountant who is named the 'Sheik of all accountants',<sup>189</sup> explained to the researcher the way in which the Companies Act for Syria was taken directly from the Egyptian one:

'...When the union happened with Egypt, I met President Jamal Abd Al Naser.<sup>190</sup> When he knew that we didn't have a company law in Syria, he said that we should get one as soon as possible. We [the Syrian delegates] stayed up all night to work on one [a Companies Act for Syria]. We took the Egyptian Companies act word for word, changing the word Egypt to Syria as we went through it. It (the act) is still the same with no change to it up until now' (I3).

In a similar fashion, today, the adoption in other Arab countries of IASs is playing a significant factor in convincing Syrian accountants that IASs are the best solution for them. Therefore, the impact of Western practices is in this case spreading across the Arab world not through direct relations with the imperial power, but through inter-relations of colonies with each other. Chua and Poulloas (2002) have similarly argued that the mutual and joint impact of a number of colonial arenas on each other and on the imperial centre contributed to the construction of an imperial accounting. Such

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<sup>189</sup> He was a key person involved in the introduction of the Company's Act and the Certified Accountants Law in Syria in the 1950s.

<sup>190</sup> The interviewee was the Trade and Supplies Minister for Syria at the time.



assumptions, they argued, could be extended to today's international initiatives in the context of globalisation.

Pressure for adopting the IASs is not only due to the desire of Syrians to engage with other Arab countries. Syrian Accountants interviewed in this study expressed the notion that if Syria wants to join the global community, IASs are necessary. They argued that, such as the case with other Arab countries, the move towards market reforms and liberalisation and the establishment of a stock exchange require the adoption of IASs. Otherwise, as one interviewee commented: '*Not applying the IASs will mean that we will be behind on the global stage.*' (I6). An ex-Finance Minister explained how the adoption of IASs will be an important step for attracting investors to Syria:

'To encourage an investment environment in Syria we need to apply the IASs and the international auditing standards as well. In order for national and international investors to have trust and understanding of accounts and business in Syria, we need to adopt international standards. There is no way out from adopting these standards. We cannot keep on standing against the wave of development and modernity. We should keep pace with the rest of the world.' (I9).

It is interesting how the interviewee perceives these Western practices in terms of 'modernity' and overlooking that 'modernity' can take different forms. He continued to explain:

'At one stage I was sceptical of the IASs, as each country should consider their own environment when developing accounting standards. Me as a member of the ASCA, I participated in developing Syrian accounting standards that were inspired by the international accounting standards. Today there is a global system. Syria has entered free trade treaties and treaties with the European Union. Therefore, I imagine that the IASs are a choice we have to make. Now what we should do is apply international accounting and auditing standards, there is no time to waste.' (I9).

Another interviewee, an owner of a small auditing firm, explained how adopting IASs is what multinationals want:

'That is what big international companies are demanding: the adoption of international standards.' (I1).

The above statements provided by the ex-Finance Minister and the auditing firm owner indicate a conviction that IASs are a condition for engaging with the global economy or attracting MNCs. Annisette (2004), in a similar fashion, explains that, today,



'developing' countries are the major subscribers to the IASs. She argues that the imposition of internationally recognised accounting standards on the functioning of capital markets by the IMF and World Bank represent the most significant actors in promoting accounting harmonisation within the non-industrialised world. Annisette (2004) maintains that the widespread adoption of IASs by 'developing' countries is not an indication of their relevance to these countries. Rather, it reveals the extent to which their 'adoption/importation' serves as a symbolic resource for 'developing' countries seeking external (for instance World Bank and IMF) legitimacy. Chapter two has argued that international governance organisations are acting as agents for Western governments' interests and those who have a great impact on these governments (see Monbiot, 2001, 2003). The role of IASs as a condition for gaining legitimacy from these hegemonic parties, therefore, imposes questions over the imperial role of IASs in spreading Western/imperial policies globally. Indeed, Neu (2000) has argued that accounting knowledge is being mobilised as a technology that 'helps to translate colonial policies into practice'.

Not all interviewees shared the same enthusiasm for the complete adoption of IASs. A number of interviewees, while few, cautioned against such uncritical enthusiasm for IASs. They expressed that IASs may not be suitable for Syria. They suggested that the process of applying IASs should be gradual and informed by other Arab countries' experience in adopting IASs. A few interviewees foresaw potential problems in adopting IASs. One interviewee, a lecturer at Damascus University and an owner of a small size accounting office, commented - when asked what he thought of the big similarities between the IASs and Syrian Accounting Standards (SASs) - that the adoption of IASs without considering the contextual differences between Western and Syrian needs could result in 'disasters':

'Syrian accounting standards are actually identical to the IASs. This is where the conflict comes. The IASs are developed in a different environment and according to the needs of Western developed countries. What is applicable in developed countries is mostly not suitable for developing ones. Therefore, the exact application of these standards without any modification is wrong. When Anglo/Saxon countries developed these accounting standards, they've developed them in a way that is suitable to their legal, economic and social environment. For us, however, these systems are different. The Syrian system is a very unique one as it is neither a capitalistic system nor a communist or even socialist system. Differences in such systems result in different accounting needs and practices. Accounting is the basis for decision making in any organisation. Having unsuitable or deficient accounting information will eventually result in wrong decisions and therefore disasters.' (I7).



The interviewee continued to explain why he does not share others' enthusiasm towards adopting and applying IASs in Syria:

'I don't have the same enthusiasm as others do for the idea of IASs. I am not better than the West, I don't know better than them to develop their accounting standards. They on the other hand, are not better than me as well and they will not know better about my environment and my information needs.' (I7).

Academics, or interviewees from an academic background, seemed to be more aware of the problematic potential of adopting the Western standards such as IASs. This might be due to their apparent ability to employ a more critical examination to these Western standards. Academics, as seen in section 8.3.2.2, are more likely to provide an understanding of accounting as a social science that affects the social environment and is affected by it. Such an understanding, appreciates the problematic potential of adopting accounting standards that are not aligned to the culture and environment that they are supposed to serve. Similarly, Briston (1990) suggests that the widespread adoption of UK and US accounting models in the non-Western world could be harmful. He explains that a particular accounting system shaped in a particular economic environment may need a considerable adaptation to meet the needs of a particular country. Samuels and Oliga (1982), similarly, draw attention to the different needs of accounting information in a state-controlled economy to that in a capitalistic one. They maintain that the capital systems orientation towards bankers' and investors' needs is not suitable for these centralised economies.

Differences in the economic environment were not the only obstacles for adopting Western style accounting systems highlighted by interviewees. Another lecturer at Damascus University considered the differences in social and religious values between the Arab world and the Western ones to be real obstacles to the usefulness of IASs for Syria:

'...IASs are beneficial if they are suitable to the Syrian environment. The social and environmental circumstances in the country should be taken into consideration. We should take what is suitable for our circumstances. IASs would be useful to us as they give a basis for the accounting profession whether prepares, users, auditors or regulators. They also unify accounting practices in Syria and would give the right picture of entity's activities. There are many things, however, in the West that do not suit us - their material and economic environment, their greed, their very short payback periods - contrast with our beliefs. These social considerations that they are facing now have not



existed in our society as a result of our religion. In Islamic accounting and banking there is more care about social aspects such as Qard Hassan<sup>191</sup> which gives loans without interest to young people getting married or buying a house. There is no move in Syria towards Islamic banking and Islamic accounting. However, if Syria wants to open up to its neighbouring Arab states, they have to have Islamic banks in the future.' (I16).

The above statement suggests that an accounting that privileges the individual and his/her desire to maximise profits over other social considerations is hard to reconcile with the Islamic society needs of social justice and redistribution of wealth. Gallhofer *et al.* (2004), similarly, highlight the conflict between the Maori indigenous culture and capitalistic ones. They explain that the Maori culture, which places high value on community principles does not sit easily next to the capitalistic and individualistic one. This, Gallhofer *et al.* (2004) explain, may hinder Maori from studying and practicing accounting in a country like New Zealand/Aotearoa, where the accounting system is totally Western. Similarly, Greer and Patel (2000) explain that the core Australian indigenous values of sharing, relatedness and kinship obligations inherent in indigenous conceptions of work and land, are incompatible with the Western values of quantification, objectivity, efficiency, productivity, reason and logic imposed by accounting and accountability systems. The imperial role of these Eurocentric accounting systems, including IASs, is therefore, not limited to enhancing problematic capitalistic policies, rather they are contributing to the replacement and displacement of cultural and religious particularities in a society that have the potential to act as drivers for more radical and emancipatory social accountings.

Syrian accountants were asked to elaborate on how can the adoption of IASs and market policies improve the practices of social accounting. Some interviewees remarked that the development of a market economy and the increased number of individual shareholders will play a driving role in enhancing the demand for accounting information in general in Syria, including demands for social accounting information:

'More relaxed regulations from the government, and (the establishment of) a stock market should play a role in the development of accounting and accounting standards in Syria.' (I6).

And:

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<sup>191</sup> See chapter four for explaining the meaning of Qard Hassan.



'The existence of a stock market and an advanced banking system would also help in solving the problem [of non-social disclosure] in case these parties start asking for more information.' (I9).

One interviewee noted, 'the introduction of IASs at this stage should be enough'. Interviewees hoped that the IASs would some day introduce standards dealing with social and environmental responsibility of companies and disclosure:

'The introduction of the international accounting standards is enough. I imagine that the IASB with time will introduce new standards that would deal with social and environmental accounting. We are looking forward to having a stock exchange market in Syria, and looking forward to the economic growth and the introduction of public holding companies. So, when we have individual investors, these investors, in turn, will be the main users of accounts and will be pressing for more social information in this regard.' (I5).

Another interviewee also shared the view that social disclosure should be covered through international standards:

'This issue is not covered by international accounting and auditing standards. If the international accounting and auditing standards deal with this issue, it solves the problem.' (I1).

Annisette (2004) explained how 'developing' countries are encouraged to adopt Western and free market accountings on the grounds that these accountings will dramatically improve accounting practices in these countries. Annisette (2004) argues that the resultant changes might be quite different from those envisaged. Annisette explains that on some occasions the Western accounting systems adopted by 'developing' countries rather than becoming a vehicle for external accountability and transparency, have degenerated into private systems of book keeping. Furthermore, IASs in particular, in respect of which Syrian accountants are expressing a hope that they will embrace social accounting, largely ignore the social dimension of accounting. Chapter five has argued that IASs developed by the IASB have a major resemblance to and are mainly influenced by Western accounting systems (mainly UK and US systems). Therefore, IASs take a very narrow view of the role of accounting, regarding it primarily as financial reporting and in terms of the reporting obligation being directed towards the private sector and providers of finance. They ignore the information needs of other parties such as the government, workers, or society at large, especially in terms of satisfying interests beyond the narrowly conceived financial (see Rivera, 1989;



Rahman, 1989; Briston, 1990). Therefore, if Syrian accountants are hoping and waiting for social accounting to be embraced by IASB, they may be due for a long wait.

At the moment, for some Syrian accountants, a more relaxed economic environment, the development of a stock market, privatisation, encouragement of public holding companies and IASs are considered to be more urgent and important than talks about implementing social accounting in Syria. Therefore, while the majority of interviewees perceived the role of business in society to include social and economic responsibility, and while many of them perceived accounting as a social science, social accounting in practical terms are not perceived as urgent. This should be understood in light of the current context of Syria and its relationship with the global economy. After independence, as seen in chapter seven, Syria moved to nationalisation and socialist policies to defend itself against new forms of imperialism and Western influence (Meri, 1997). Nevertheless, in recent decades, after the fall of much real world communism, Syrians have begun to feel isolated from the global order. Syria's Arab neighbours moved towards liberalisation and privatisation way before Syria started to do so (see chapter five). Syrians have begun to perceive a need for the introduction of these liberalisation measures if they are to engage in regional and international trade and treaties, whether with other more 'moderate' Arab countries or with the EU Commission or international organisations (OBG, 2003, see also previous sections). Such a perceived need by Syrian accountants to join the global community has convinced them that the priority and the most urgent need for Syria at this stage is to adopt IASs. Social accounting, in this sense, is not seen as urgent for Syria. On the contrary, a number of interviewees expressed the notion that introducing regulations to enhance social accounting practices in Syria is not desirable at this stage:

'The country (Syria), at this moment, needs fewer regulations to attract foreign investments and encourage local private investments as well.' (I5).

Therefore, contemporary globalisation is contributing to the displacement of social accounting from accounting practices in a country like Syria. Alam *et al.* (2002), Rahman *et al.* (2004) and Annisette (2004) have all argued that the impact of the constant pressure to comply with the requirements of funding agencies such as the World Bank and the IMF are resulting in the lack of accounting systems that reflect other than private interests. Countries like Syria are penalised by being isolated if they do not adhere to the global system rules and regulations of an open market economy and



the reduction of barriers facing financial transactions. As a result, Syria is increasingly pursuing policies that it believes will earn it market confidence and attract trade and capital inflows - these policies include the adoption of IASs. Syria, like many other developing countries, believes that the balance of economic advantage is on the side of integration and not on the side of isolation (Volcker, 2000). Therefore, while resistance to colonialism in the mid twentieth century emerged in the form of nationalisation and leaned towards socialist policies, today, neo-imperialism embedded in the contemporary global order is achieving success in spreading colonial policies through convincing people in a country like Syria that it would pay a high price if it does not give up its socialist policies and adhere to the global order conditions. IASs, in this context, are becoming a means for legitimacy on the global stage.

#### 8.3.3.2 Social Accounting is a New Western Phenomenon

Syrian accountants appear to perceive social accounting to be a 'new', Western phenomenon, suitable for 'developed' countries. In addition, throughout the interviews, Syrian accountants expressed something of a fascination with Western ways of doing as far as accounting is concerned. They compared between practices in Syria and the West and aspired to catch up with the Western 'superior' model of accounting. Syrian accountants, throughout the interviews, compared Syria to the West, or even other 'moderate' Arab countries. They, on many occasions, expressed opinions that indicated a perception that social accounting is a 'luxurious' type of accounting that a 'developing' country like Syria can not apply at this stage. They compared Syria's accounting education system, accounting profession, governmental policies, Syria's expertise and resources to those of Western 'developed' countries. They seemed to conclude that Syria is not capable of applying this 'new' type of accounting at this stage of its development. One interviewee explained:

'Social accounting is a new section of accounting that here in Syria we still need to grasp.' (I11).

And:

'The issue of accounting and its impact on society and the environment is a new topic that is not yet considered in our country.' (I8).

Also:



'They are (social responsibility and accounting concepts) new concepts for us and it takes time for us to grasp these concepts.' (I16).

By considering social accounting to be a 'new' and 'Western' phenomenon, there appears to be a considerable level of confusion and misunderstandings of the history and the context in which social accounting has developed. There seems to be no appreciation of the relationship between the teachings of Islam, for example, and the importance of introducing some form of social accounting. Chapter four elaborated how social objectives are historically and deeply rooted in Islamic perceptions of business and accounting – a notion that is different to contemporary corporate social responsibility debates, that, on many occasions, perceived the issue as 'new' and, therefore, underdeveloped (see chapters two and three). Nonetheless, few of the Syrian accountants interviewed in this study have directly connected the need for social accounting to Islamic teachings and principles. Syrian accountants views of social accounting seem to be largely informed by Western ones – where social accounting is promoted as 'new' and conventional accounting meanwhile is generally understood as 'traditional' (Gallhofer and Haslam, 2003). Gallhofer and Haslam (2003, p. 151) note that while placing stress on the 'newness' can be positive by emphasising the sense of being involved in something new, de-emphasising social accounting's historical continuities threatens to conceivably delay or render overly cautious its adoption or make it easier to pull out of it, if adopted. This is very much applicable to Syrian accountants' perception of social accounting. Syrian accountants, by categorising social accounting as 'new', are justifying postponing the adoption of this accounting, or even not adopting it at all. Have they considered social accounting in its historical context as an integral condition to their cultural and Islamic teachings and values, postponing or hindering its adoption would have been less justifiable for them. International organisations promoting social accounting and social responsibility, such as the GRI, ignore the historical and religious roots of social accounting when promoting these accountings to the Arab world. They, by doing so, are contributing in some way to hindering the adoption of social accountings in that part of the world, rather than encouraging it.

Syrian accountants, as mentioned earlier, have demonstrated an admiration of Western accounting education, Western accounting standards, accounting professional bodies and accounting practices. A number of them compared the accounting education system



in Syria with the Western one, and explained that, unlike the Western system(s), the Syrian system does not touch upon the social dimension of accounting:

'In developing countries, accounting education does not incorporate the role of accounting in society. This of course has negative implications for the social and environmental development of these countries.' (I7).

And:

'The education system is very weak (in Syria). We should not ask our graduates more than they can deliver. I imagine if we have the same education system that is available in the US or the UK, the situation would be different. Syrians are an intelligent and hard working people and if we give them (Syrian students) the chance they are ahead of many advanced nations. Nonetheless, at university they are given a very narrow picture of accounting. Accounting education should be connected to economic and political studies. This would allow the accountant to look at the bigger picture and be able to analyse matters beyond balancing the balance sheet. We should have the same education system that is available in advanced countries.' (I6).

The above statements indicate a belief by the two interviewees that accounting education in the West does cover the social aspects of accounting. It is not clear what reasons for this belief are. It might be that as the interviewer is doing her research on social accounting in the UK, the interviewees had the notion that social accounting is sufficiently covered in the accounting education programmes in these countries. It might also be due to the belief that education in general is better in the Western context than in the Arab/Syrian one. Such a perception of Western 'better' ways of doing also extends to the accounting professional body. Interviewee (I10) compared the accounting professional body in Syria with that of the US. The interviewee argued that lack of resources in the ASCA is hindering its ability to develop accounting/social accounting standards:

'... The association's financial resources are limited. If I want to have accounting standards and have a team that is devoted to developing these accounting standards, I should provide financial resources for this activity. But the association is not able to provide these resources. We don't have full time members in the association. Each member has his own full time job outside the association. Even if you go now to the association's office, it is most likely that you will not find anybody there. The office is only one or two rooms and most of the time the office is closed. This is the main problem of the association, there is not enough support that activates it and makes it participate in the development of accounting standards. The FASB in the US historically has the main role of developing accounting standards. Even in Jordan, there is modern legislation and company law that was published in 1995 that contained an adjustment to company law. And indeed, accountants'



associations there are playing a positive role, but unfortunately we do not have that here.' (I10).

The interviewee described the process in which accounting standards were developed in Syria:

'... Of course the ASCA tried during the last few years to develop Syrian Accounting Standards or the like, but these efforts were individual and ad hoc. I mean [in developing standards] the association asks one of its members in an informal manner to develop some accounting standards. This person, considering that there are no full time members in the association, translates the American or the international standards, comes with a draft and distributes it to the association. The process of developing Syrian accounting standards is not a systematic one and it is nowhere near the way that American or international accounting standards are developed.' (I10).

Some Syrian accountants/interviewees even indicated that IASs are good because they are developed by 'those' international and Western nations:

'No matter how experienced [as accountants] we are, we are not going to be more experienced than those who are developing the IASs. Therefore, it is enough to adopt the IASs.' (I1).

In a more general context, the following interviewee explained how the business regulatory environment in 'Europe' is allowing for the enhancement of social responsibility and social accounting:

'In Europe there are regulations for setting up [environmentally] sensitive businesses. Sensitive projects have very high costs there. (Here in Syria) we don't have that.' (I4).

It is plausible for Syrian accountants to engage in self-criticism and critical evaluation of the way accounting is taught, practiced and regulated in Syria. After all, these critical reflections and evaluations are necessary steps towards improvement and change. What is worrying, nevertheless, is the way that Syrian accountants aspire to the Western ways of doing. As the above statements illustrated, Syrian accountants hold some misconceptions of the way accounting is practiced, taught and developed in the Western context. They also appear to feel 'inferior' to these ways of doing, and expressed on some occasions a notion that Syria at this stage is not capable to catch up with such Western advances. Syrian accountants, in this sense, have portrayed a willingness to adopt Western standards without subjecting these standards to hardly any critical examination. Reasons behind these perceptions of Western practices are not clear. It



could be argued that a great deal of Syrian accountants' perceptions and aspirations of Western 'superior' ways of doings are derived from the West itself. Sadiki (2003, p.96) argues, that the Arab worlds representations of the West are not always derived from some Arab or Islamist discourse that constructs the West in the way Orientalism produced and continues to produce the Orient. 'Many of the fundamental 'Occidentalists' views are based on self-constructions and self-representations of and by the 'West' to the 'non-West''. The Arab world's perception of the West, therefore, is significantly informed by the Orientalist thesis of 'self-superiority'. Sadiki (2003) explains that the Arab encounter with the West at the end of the eighteenth century was through missionaries and educators, who set up foreign schools within the Arab communities, and commercial and financial agents who created their own business empires and enclaves. The presence of foreign teachers, investors and business representatives had an immense effect upon Arab society and accelerated both the rate and the demand for change amongst the elite. The colonial experience that followed and the neo-imperial experiences the Arab world is witnessing have made the relationship between the West and the Arab world more complex. The Arab constructions of the 'West' appear to be inconsistent. On the one hand, Arabs laud the achievements of Europe, especially in the technological field, whilst bemoaning the lack of achievements in their own communities. On the other hand, they pity Europe for its lack of a spiritual equivalent to Islam (Sadiki, 2003). Therefore, Arab/Syrian accountants' expression of admiration for Western practices is partially due to the way that the West represents these practices as superior and universal. International organisations, including accounting ones, have embarked on promoting Western accountings as international, expanding and a source of all accountings. International accounting is in this respect similar to universalism in most other fields. International law, corporate globalisation, and even the philosophers' universal truth almost always derives from the perceived superiority of Western 'civilisation'. Ransom (2005, p.34) explains that 'you don't have to deny its power, or even its merits, to suggest that these are partial, not universal, views'. Dosa *et al.* (1995) caution against this uncritical embracement and mobilisation of Western capitalistic accounting. They explain that, taking the example of Hungary at the beginning of the 1990s as a state in transition, these uncritical mobilisations are problematic and engender consequences different from what was intended. They argue that Western capitalistic accounting should be open to further questioning through a more 'appreciative' understanding of the specificities of Hungarian accounting. Dosa *et al.* (1995) explain that there is a great risk that valued or potentially valuable particularities



of the Hungarian context are in danger of being simply abandoned with the onward march of an 'imperialistic' Western capitalistic accounting. The case of Hungary at the beginning of the 1990s is very similar to the case of Syria today. Syria is witnessing a move from a largely socialist society to an open market one. From some of the Syrian accountants' views put forward in this study, there is a willingness to endorse these imperialistic and capitalistic Western accounting standards without adhering them to critical analysis and evaluation. Such tendencies, as Dosa *et al.* (1995) argued, are problematic and risky.

#### ***8.3.4 Visions and Insights for a Way-Forward***

This section is concerned with providing some insights for bettering social accounting in Syria and beyond inspired by the interviews. Syrian accountants, in their discussion of social accounting in Syria, provided some radical and alternative insights into bettering and developing accounting/social accounting in Syria and beyond. These insights have touched upon regulating accounting, accounting education and international collaboration in the field of social responsibility and accounting/social accounting.

##### **8.3.4.1 Regulating Accounting in Syria**

Section 8.3.3.1 reported on some Syrian accountants' perceptions of a need to relax the regulatory environment in Syria in order to attract foreign investments. When interviewees, however, were asked to comment on how they see social responsibility and social accounting develop in Syria, the majority of them could not see that materialising without the introduction of legislation or without state intervention. As one interviewee, an ex-high governmental officer and an owner of an auditing firm, explained:

'To see more social disclosure, we need policies and governmental regulations... Governmental regulations should require each company to have a set of policies that would reflect on their environmental and safety future plans and performance... Accounting, in that case, can reflect on these policies through disclosure and measurement.' (I1).

And a lecturer in Damascus University explained:

'I believe that the law exists to protect people. Therefore, the law can protect people through this accounting tool by obliging companies to disclose



information that is of importance to society. If society is not aware of the importance of this information, then through the introduction of legislation (requiring disclosure), society will care about it.' (I10).

The above interviewee statement provide a somewhat radical understanding of the type of social role of accounting information. Accounting here is not merely a tool to provide users of accounts with information they perceive as useful for their decision-making. It, rather, contributes to constructing the decision-usefulness needs of users of accounts by drawing their attention to these needs. Tinker and Neimark (1987), in the same vein, explain that information included in a company annual report 'plays a part in forming the world-view or social ideology that fashions and legitimises particular social conditions and dimensions'. Social information, accordingly, could be mobilised by law and regulation to empower and enlighten society about critical social issues. Gallhofer and Haslam (1995, p. 83) remark that 'to rescue human society's relationship to its environment implies activity promoting an increased visibility of social (including corporate and business) affairs – and thus attempting to increase awareness of how the ecological environment is being damaged by socioeconomic activity'.

An ex-consultant for the Ministry of Economics also maintained that more legislation, especially as far as environmental issues are concerned, is required if we want to have social accounting in Syria:

'[In order to better social accounting we need] the introduction of environmental laws and regulations that would regulate the accepted levels of pollution by companies... All factories, companies, public and private, should be subject to these regulations. There should be penalties for any party that does not adhere to these regulations. No progress [in the field of environmental performance] will happen if we leave the matter to shareholders' voluntary initiatives. Therefore, there must be rules and regulations set in this respect.' (I18).

The above interviewee expressed opinions that are critical of and indicated suspicion over the sufficiency of the voluntary approach to introduce and better social accounting and social responsibility in Syria. They explained that governmental regulations are important if we want to see social accounting and social responsibility practiced in Syria. They expressed doubts about the willingness of owners of finance to carry out social reporting or a radical form of social reporting voluntarily. Gallhofer *et al.* (1993) similarly explain that the voluntarist approach to environmental/social reporting responds marginally to environmental threat. Lack of regulation, they explain, results in



that the reader/user of the annual report will scarcely be able to judge the 'reasonableness of the behaviour equating to legal compliance of this sort'. The social responsibility and social reporting in the Western context, as chapter two and three demonstrated, is largely a voluntary, business-led one. This voluntarist approach has been responsible, as Solomon *et al.* (2000) explain, for the inadequate nature of social accounting and reporting. Social accounting and reporting under the voluntarist approach has been hijacked by business organisations for their public relations' purposes and mobilised to counter more progressive social accounting possibilities (see Gallhofer and Haslam, 1997, 2003; Owen *et al.* 2000; Gray and Bebbington, 2001). Syrian accountants' suggestions and vision, consequently, go beyond the traditional and conventional view of corporate social responsibility and social accounting, where they are perceived as a voluntary activity. Some of Syrian accountants' views have also suggested that these regulations should make sure that information provided highlights the negative impact of activities:

'It could be suggested that regulations should be developed to make accountants disclose any project that is going to have a negative impact on the environment and society.' (I18).

According to the above statement, the type of regulation that is required is a regulation that demands the disclosure of bad news, as well as good. This perception departure from the way in which social accounting is perceived and manifested in the Western context. Chapter three has revealed how social accounting and reporting in the Western context has been mobilised for problematic image building and public relations purposes (Bebbington, 1994; Gray *et al.*, 1995b; Bebbington and Thomson, 1996; Gallhofer and Haslam, 1997; 2003; Hibbit, 1999). Social accounting practices, in this sense, are not addressing social issues in a transparent and accountable manner. The demand by the above interviewee to introduce regulations requiring the disclosure of 'negative' news represents a vision for bettering accounting practices so they become more accountable and transparent.

It is of interest to consider the reasons behind these relatively radical views, as they may be considered to be, of the importance of mandatory regulations to deal with accounting information. Social, cultural and religious values might be playing a role in influencing these perspectives. An interviewee explained that:



'[Introducing legal requirements for disclosing negative information] represents a compliance with the Islamic rule that states: No harm to others or to myself.' (I18).

Chapter four has demonstrated the way in which Islamic teachings and Sharia demand the adherence to the concept of 'Istislah' (public interest) (see chapter four figure 4.1). The concept of 'Istislah' demands from individuals, communities and the state to consider the common good and welfare of the society and the planet as a whole in their daily activities. Hardship and harmful actions to others (and to one self) thus should be prevented before pursuing self-interest (Ibrahim, 2001; Haniffa *et al.*, 2004). Islam, in this context, challenges Western foundations such as individualism (Sadiki, 2003; Tinker, 2004). Furthermore, the 'Muhtasib' (accountant) in Islam has a personal responsibility to ensure that the welfare of society has not been negatively influenced by business. The Muhtasib during the Islamic rule in the fifteenth and sixteenth centuries is reported to have made sudden visits to business locations such as baking and tanning to make sure that their activities were in compliance with Umma's best interests (Qaradawi, 2002). Muslims, holding these views of relationships in society, provide views that form alternatives to the way accounting and accountants are perceived in problematic Western and capitalistic foundations. Gallhofer and Haslam (2003) explain that accounting in the capitalistic context has been captured by hegemonic repressive and problematic forces. They explain that accounting with what it fails to inform about and displace from attention, has failed to properly serve the whole community or the public interest. Rather, accounting has helped to sustain and enhance a problematic social order by influencing people's attitudes, ways of thinking and behaviour (Hopwood, 1987; Lowe *et al.*, 1991; Gallhofer and Haslam, 2003). Islam and Islamic teachings along the lines described above provide a radical challenge and alternative to these 'repressive/counter radical' positions of accounting.

The background of these interviewees is also of relevance to understanding and critically analysing their perceptions of regulating social accounting. Most interviewees included in this study were at some point involved in a public sector job and position (see appendix four). Syria's large public sector meant that the majority of Syrians (especially the older generation) have worked in the public sector at one point of their career. Furthermore, many of these interviewees have also held high governmental positions. For instance, one of the interviewees, which opinion was put forward in this section is an ex-consultant for the Ministry of Economics. This could have an influence



on this interviewee perception of the role of the state in governing society. Indeed, through out the interviews, Syrian interviewees have accredited a significant importance to the role of the state in different aspects of the interviews. Syrian accountants have seen the role of the state as central in bringing the issues of social responsibility and social accounting to the forefront and to Syrians' attention. For instance, one interviewee maintained that unions should hold the responsibility to increase society's awareness of business social responsibility:

'There should be unions that increase awareness among accountants, and society [of the social role of accounting] business.' (I12).

On some occasions they appeared to suggest that the lack of social accounting disclosure is a direct result of the lack of governmental interest in the issue:

'The government, unfortunately, is far away from this issue (business social responsibility and social reporting). We used to have an Environment Ministry. They've cancelled it and replaced it with a Ministry of State for Environmental affairs. The state's efforts in this area (regarding environmental protection) are concentrated on the basics. The government is the only party that has any authority regarding environmental issues, even though it is still very primary and weak.' (I1).

The government, therefore, in Syrian accountants' perceptions, holds a great responsibility towards promoting the social agenda and implementing it. This is not surprising considering the politico-economic context of Syria, where there is a large state-owned sector embedded in a system of controlled markets. The realisation of Syrian accountants of the importance of mandatory regulations and governmental policies for bettering social accounting contradict Syrian accountants' previous demands for relaxing the regulatory and the investment environment by decreasing the grip of the government on the economic environment in Syria in order to attract foreign investments. These contradictions seem to highlight the complexity of the social responsibility and social accounting debates under the current global order. On the one hand, joining the global economy, which Syrians aspire to do, requires a reduction in financial controls and investment regulations in order to compete in the global market. On the other hand, a radical form of social responsibility and social accounting can only be achieved by introducing legislation to protect society against corporate greed and interests (see Held and McGrew 2000; Monbiot, 2003). Social responsibility and social accounting in mainstream literature and debates in the West, as discussed in chapter



three, has on many occasions down-played the conflict between problematic financial objectives and social responsibility by promoting social responsibility as a win-win scenario for business. Despite the notion expressed by some interviewees in this study that suggested a prioritisation of introducing liberalisation measures over social responsibility ones, Syrian accountants seem to be in no illusion in respect of the insufficiency of the voluntary approach, as one interviewee commented: '*No progress [in the field of environmental performance] will happen if we leave the matter to shareholders' voluntary initiatives*'. (I18).

#### 8.3.4.2 Accounting Education

Syrian accountants' perceived accounting education to be a central factor in the development of accounting/social accounting in Syria. The nature and quality of accounting education and training in Syria were concerns expressed by interviewees as reasons behind the lack of social disclosure. A dominant concern for interviewees was the way that accounting education portrays accounting as a technical phenomenon, concerned mainly with measurement and financial dimensions rather than social ones. One lecturer explained that the way accounting is taught and perceived in academic programmes 'historically', is limiting the role of accounting to measurement:

'There is the measurement problem. Accounting has historically concentrated on measuring historical events in financial terms. It has overlooked the social aspect of operations.' (I5).

And:

'... Accounting has always been perceived in a conventional context, which limited (accounting) to historical cost, and providing information that could help in planning. But this is not enough... In this conventional understanding, accounting's role is an incomplete one.' (I7).

The above two interviewees used words such as 'always' and 'historically' to describe the bias of accounting towards technical and financial dimensions. These statements somehow represent dissatisfaction with the traditional views of perceiving and teaching accounting as objective and merely financial. A number of interviewees demanded a change of the way that accounting is taught in Syria to incorporate social and environmental dimensions. Demands for a change include both university and professional accounting training programmes:

'...Education at universities and commercial colleges should be modified and modernised to include these issues [social issues].' (I3).

And:

'[We need to] develop regulations, training courses for accountants, the certified accountants programme and academic programmes to connect between accounting and society and the economic system. These are the main factors involved in developing accounting.' (I7).

It is not surprising to find that the majority of interviewees that demanded this change to the education programmes come from an academic background. Nevertheless, those who come from a more practitioner and professional background also demanded a change. Their emphasis for a change was in respect of the way professional training programmes are carried out in Syria. An ex-high government figure, and the creator of the ASCA in Syria, called for a change in the Certified Accountants' training programme to include the issue of social responsibility. He noted:

'Certified accountants should care about these issues [social and environmental]. The certified accountant training programme should include these issues in it' (I3).

Previous chapters and sections of this study have established that accounting education and training programmes in the Arab world are heavily influenced by Western ones. Abdeen and Yavas (1985), Al-Rehaily (1993), McKee *et al.* (1999); and Islam (2003) have all indicated the impact of Western accounting education and training programmes on those in the Arab world (see chapter five). They have also indicated the impact of inter-relations between Arab countries on the spread of these Western, especially Anglo-Saxon, programmes. The dominance of Western programmes in the Arab world have resulted in Western worldviews about accounting, business and society dominating these programmes and displacing alternative cultural particular views from accounting education and training. Despite the recent upsurge in interest in Islamic accounting, it is still not seen as a mainstream programme, even in Arab countries (see Rahman, 2000; Ibrahim, 2000; Haniffa, 2004; Hannifa *et al.* 2004). Western accounting education and training programmes are still the dominant ones in mainstream accounting education in the Arab world (see Abdeen and Yavas, 1985, Al-Rehaily, 1993). Western accounting education programmes often portray accounting as a 'neutral tool for recording the value of activities and resources' (Gallhofer *et al.*, 2004, p.76). The widespread



dominance of Western accounting education and training programmes is resulting in universalising these understandings of accounting. Gallhofer and Haslam (2003, p.15) comment on Western universalism in accounting practices can still stand for Western universalism in accounting education. They explain that: '*accounting practice is] a practice captured by a Western universalism which, for instance, in various historical projects concerned to foster global accounting principles and practices, has at the very least threatened valued particularities integral to local accountings that reflect local cultural perspectives*' Similarly, in accounting education, the universality of Western perspectives and worldviews in that discipline is threatening 'valued particularities' and is displacing them from local practices. Gallhofer *et al.* (1999; 2004) have explained the impact of Western accounting education programmes on students from different cultural values and beliefs from that of the Western ones. They explained that the Eurocentric nature of accounting education and the displacement of cultural particularism from accounting education is creating cultural barriers to indigenous students' access to accounting. Gallhofer *et al.* (1999) maintained that accounting education on the international level is losing out by displacing these alternative ways of learning and studying accounting from accounting discourse. The insensitive cultural imperialism in accounting education, they maintained, is allowing the hegemonic forces of accounting in serving capitalism and imperialism. Gallhofer *et al* (1999) called for focusing on accounting education from indigenous cultural perspectives or to promote multicultural accounting education. The paper also called for avoiding a crude imperialistic transformation of indigenous culture but instead to learn from that culture in re-designing Western accounting education. In the Arab world, accounting education can be enriched from incorporating cultural specific perspectives into the way accounting is taught and perceived. Islam, which is a significant factor in Arab world culture, can provide a radical alternative to the way accounting is taught in Arab universities and beyond. Islamic Sharia, with its emphasis on social justice and welfare of the Umma, can provide a good starting point for understanding and constructing the relationship between society, business and accounting.

Nevertheless, emancipatory potential is repressed and displaced through the impact of the neo-imperial global system with its international organisations and institutions. The struggle of a country like Syria to meet their everyday life basic needs, in addition to the their aspiration to improve their living standards by gaining legitimacy from the global order are factors contributing to the repression of emancipatory potentials in practicing



accounting. The relative inability of Syrians and Syrian accountants to engage in a critical evaluation of Western practices or to embrace their own cultural emancipatory elements is arguably a result of a neo-imperial order that uses Eurocentric/capitalistic accountings as a benchmark for joining the global order. One interviewee explained to the researcher that the difficult economic life in Syria is not allowing young graduates to engage in these critical evaluations and understandings of accounting:

‘Life is so difficult for everybody, the main worry for a new graduate is to find a job and not how to practice accounting to its full potential.’ (I9).

Another interviewee explained that there are other more urgent issues for the accounting education system in Syria to embrace such as the studying of IASs and computerised accounting:

‘However, there are still more important issues that should be stressed at universities before starting with social accounting, such as teaching IASs and computerised auditing.’ (I1).

The global economy, international accounting firms and international companies require these types of expertise (IASs and computerised accounting) from young Syrian accountants rather than expertise in social accounting or the critical theorisation and evaluation of accounting practices. Finding a job and meeting every day’s basic needs, therefore, requires the embracement of Western accounting and the repressing of particular cultural values.

Education reform suggestions were not exclusive to reforms to the accounting education system alone. A number of interviewees conveyed a broader understanding that demanded changes to the education system in general, starting from the school:

‘The school is where we start, school is the basis. Graduating from good quality educational schools means a better quality of accountants and employees. If they graduate from good schools, they will learn to develop personal skills and increase their knowledge.’ (I15).

And:

‘Accounting education is a very stagnant process that concentrates mainly on numbers and data entry without broadening students’ perspectives to questioning the *status quo* and development. There should be a revolutionary change in the educational system in Syria in general.’ (I19).’



Such realisation by a number of Syrian accountants of the importance of the education system as a whole for bringing about change to practices is also emancipatory and radical. Critical thinking starts from early school days rather than at university levels. While multiculturalism in any education field is welcomed (see Gallhofer et al., 1999), a critical evaluation of the subject studied, and locating this subject in local cultural and value beliefs is also an important part of education. As far as accounting is concerned, as Dosa *et al.* (1995) maintain, there is a need to develop substantive critical theoretical accounts of accounting for economies in transition in a global context and to question transnational influences upon countries in transition settings.

#### 8.3.4.3 International collaboration

A number of interviewees expressed the opinion that a solution to the poor social accounting practices in Syria is to increase Syria's collaboration with the global community and the participation on the world stage. As one interviewee explained:

'[We need the] collaboration between our organisations and international organisations to better social responsibility and social accounting in Syria.'  
(19).

An interviewee explained that in order for the issue of social responsibility to be practised in Syria, international collaboration should take place and international experts should help Syria in this area:

'Because the crisis and the issue is an international one that has an impact on the human race in general it would be useful for countries that are advanced in this area to help the developing world through the provision of experts and information, to increase awareness of the urgency of the matter and help in giving solutions and ways in which the developing world could be able to improve the situation on the local level. Therefore, it is crucial for international organisations and other environmentally specialised organisations to provide help, opinion, advice and financial assistance and loans to developing countries that have serious intentions and serious projects to improve their environment.'  
(118).

One interviewee blamed international accounting firms for not trying to introduce the issue of social accounting in Syria:

'Unfortunately, international auditing companies that operated/operate in Syria do not participate in any way in the development of the auditing profession in the country.'  
(115).



The above statements demonstrate recognition of the international nature of the social and environmental 'crisis'. Syrian accountants, throughout the study, have expressed their enthusiasm and willingness to engage with international organisations. It could even be argued that the success of international accounting standards is due to their promotion under the international and global guise. Nobes (1998) argues that international standards are popular among 'developing' countries because of, among other factors, their international character. It could be argued that had these standards been called British or American standards, they would not have been as popular. The International Accounting Standards and the Global Reporting Initiative are both initiatives that are claiming international and global characters. They, nevertheless, as chapters three and five demonstrated, are Western and imperial. Furthermore, they are acting as a global catalyst for the enhancement of capitalism and insensitive imperial policies and practices. The study explained how the membership of these two 'international' organisations are mainly Western organisations. Many of these organisations are multinationals participating to the funding of these organisations (see chapters three and five). Therefore, claiming Western practices as international ones, developed by international bodies are participating to universalising these Western practices.

Held and McGrew (2002) explain that international organisations function largely as instruments for the advancement of the interests of most dominant states or those people with hegemonic influence over these states. They explain that international governance and international organisations today continue to exist because the most powerful states perceive it as being in their national interests. Global governance has, consequently, come to represent a form of contemporary imperialism. Syrian accountants have expressed great willingness to engage and embrace international organisations. Such embracing should be done carefully and with understanding of the nature of these international organisations and their global imperial role.

Syrian accountants demonstrated an ability to be critical of the status quo in Syria and strived to change that reality. They, however, failed to give a critical evaluation of global and Western initiatives. A number of interviewees, including an established consultant, blamed Syria and Syrians for the lack of participation on the international level. While this is a valid and constructive criticism, it lacks the realisation of the nature of these international organisations and their efforts to displace other, non-



Western countries from participating truly in the setting of international standards rather than merely applying them. An interviewee, an owner of a consultation office, stressed that it is the duty of Syria to get more active on the world stage, he, however, was more pessimistic about the global stage listening to Syria:

‘They (the Syrian government and regulators) should get involved in these major world associations. There should be more efforts from the Syrian side to get involved. The same problem arises when you talk about the WTO and other international organisations. If you are absent they don’t care about you. If you are present, you are heard. [For developing countries] to be listened to, they should be present. You can imagine some day demonstrations in Seattle in favour of adopting our accounting standards [the interviewee is being sarcastic!]. This is the world. Unfortunately, the world is controlled by the strong, but it doesn’t mean that you should shy away, you should be as involved as possible, in order not to be marginalised... But the world is not fair anymore.’ (I2).

And:

‘So before blaming the international community for not taking developing countries views on board we should act more. Action is required and not talking. Some are arguing that developing countries should develop their own standards. It is true that commercial laws are different between developed and developing countries. In the West there are individual shareholders that we don’t have here. What we should do is to take the commercial law and accounting standards in their countries and our countries and see how they are different and accordingly adjust these standards to suit our needs.’ (I3).

While Syrian accountants portray a great willingness to be outward looking in improving accounting/social accounting practices in Syria, the Western dominated global community is further pushing Syria into isolation. Recent sanctions on Syria, along with the rejection of Syria’s application to join the WTO are reflections of a global hegemony that is attempting to impose its effective will on Syria. Syrians, isolated as they may seem, they betrayed a tendency to be outward-looking because, as Ransom (2005, p. 34) explains, the world intrudes on such countries so often into their daily lives, though they have no obvious means of affecting it. On the other hand, those, Ransom (2005) explains, who imagine that they live at the centre of the world, such as Westerners, usually expect to be insulted from it.

A number of participants have also expressed a desire and enthusiasm to engage with the Arab Association of Certified Accountants. They expressed that the Association should embark on developing and embracing social accounting in the Arab world:

'The ASCA should engage more in conferences and meetings whether in the Arab region or internationally.' (I3).

The interviewees, however, expressed disappointment with the lack of ability and role of the Arab Association in the area of social accounting, explaining that political factors and unrest in the area has limited the Association's:

'Unfortunately the Arab Accountants Association is very much behind in this [social accounting] area, as they should be the ones who do this job [promoting and developing standards] and develop accounting standards for the region. The reason is that after the Camp David Treaty<sup>192</sup> in 1978, Egypt was considered to be a traitor and the association moved from Egypt to Baghdad where problems again occurred. The association was moved again to Tunisia. When the Arab league went back to Cairo, we brought the association back to Cairo. However, division was still there between Cairo and Baghdad. Lebanon, for its part, established another Arab Association of Accountants and there is a fourth one in Tunisia. There are plenty of disputes and disagreements between these different parties that we are hoping will be resolved in the near future'. (I3).

The above interviewee, who is named the 'Sheik of all accountants' in Syria and was responsible for the development of the Companies Act during Syria's union with Egypt, appears to recognise the power of a regional agreement endorsing social accounting, rather than Syria going down that line alone. He commented that all Arab countries should adjust their laws to allow for social accounting:

'Arab countries should adjust their commercial law as far as the duties of certified accountants are concerned to include social and environmental issues.' (I3).

The emphasis given by the 'Sheik of all accountants' on Arab countries' collective role is probably an indication of the importance of Pan-Arabism, especially for the older generation of Syrians. The Pan-Arabism movement during its fight for independence and after independence in the mid 20<sup>th</sup> century has called for a union among Arab countries based on their common language, history and destiny. It incorporated the notion of non-alignment and anti-imperialism to its ideology (Cleveland, 1971, 1984). Calling for a collective action by Arab countries for embracing social accounting is a reinforcement of these Pan-Arabism feelings. Pan-Arabism, however, has also resulted in the spread of Western practices among Arab countries. While Pan-Arabism in the mid 20<sup>th</sup> century resulted in introducing socialist policies, especially in Syria and Egypt, to

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<sup>192</sup> Egypt's peace treaty with Israel.



protect the countries against imperialism, Pan-Arabism today amounts to Arabs aspiring to adopt the same Western accounting practices that the neighbouring country is adopting. The perception of Syrian accountants of the importance of adopting IASs on the grounds that other Arab countries are doing so has been demonstrated earlier in this chapter.

The opinions expressed in the fourth part of the interviews demonstrate a realisation by Syrian accountants that advancing social accounting practices in the Syrian society requires collective efforts by the different social, and political parties concerned. They explained that the government, the profession, the education system, society at large and the Arab community hold collective responsibilities for the lack of and the poverty of accounting/social accounting practices in Syria. Syrian interviewees have also emphasised the importance of co-operation on international levels to promote social responsibility and social accounting. This notion of collective responsibility for advancing accounting/social practices in Syria was re-emphasised further when Syrian accountants furnished their vision for bettering accounting/social accounting in Syria. These visions and notions, however, struggled to exist alongside Syrian accountants' perceptions of the need to join the international community through the introduction of market reforms and the prioritisation of adopting IASs - a need that, as discussed in previous chapters, may well jeopardise the introduction or development of a radical form of social accounting.

#### **8.4 Discussion and Conclusion**

The purpose of chapter eight was to explore Syrian accountants' perceptions, attitudes and opinions towards different aspects of social accounting. These perceptions, attitudes and opinions were sought through semi-structured, face-to-face interviews with 19 Syrian accountants. The first part of the interviews concentrated on seeking Syrian accountants opinions and perceptions of the relationship between business and society. The majority of Syrian accountants interviewed in this study contemplated that business plays both social and economic roles in society. Fewer numbers of interviewees viewed the economic role to be the paramount one, and only two interviewees, out of 19, perceived the financial role to be the only responsibility for business. Syrian accountants' views of business social responsibility concentrated particularly on the role of business in creating jobs and employment in society. These views are in line with the social context of Syria, discussed in chapter seven, where unemployment and population



growth is considered to be the most challenging issue in the Syrian society. The second part of the interviews sought Syrian accountants' views of the role of accounting in society. Syrian accountants have also demonstrated an overall convention that accounting is a social phenomenon that should be mobilised for the betterment of society. A number of interviewees, however, perceived accounting as an 'objective science', the main purpose of which is reporting to owners on the financial position and performance and aiding management in economic decision making. Syrian accountants' dominant views on the relationship between business, society and accounting demonstrate somewhat radical and emancipatory understandings and potential in that, on the face of it, they depart, at least to some extent, from the dominant problematic conventional views of corporate social responsibility and social accounting discussed in chapters two and three that are prevalent in the West. Reasons behind Syrian accountants' perceptions appear to be multifarious. They might be due to interviewees' background as discussed throughout the chapter. They might also be the result of the ideology of the socialist era that Syria witnessed after its independence, when the Ba'th ruling party declared objectives were the rejection of imperial tyranny, the redistribution of wealth and the unification of the Arab world. Ba'th party objectives were addressed mainly through the introduction of nationalisation policies. These nationalisation measures were introduced on the grounds that they will create new public, national institutions that will enhance Syria's social and economic conditions (Meri, 1997). Other factors behind Syrian accountants' perceptions appear to be cultural and religious considerations. While Arab nationalism movements were orientated towards secularism, Syrians and their culture are largely Islamic. Islamic teachings, as seen in chapter four, place social justice at the heart of all Muslim activities, including business and accounting. Syrian accountants' worldviews are arguably influenced by such Islamic and national considerations, principles and teachings that view the responsibility of business and accounting to include serving society and contributing to the betterment of that society in a way linked to their religion and culture.

Whatever the drive behind Syrian accountants' perceptions, they offer a somewhat emancipatory and alternative potential for advancing and introducing radical forms of accounting/social accounting. In chapters two and three it has been argued that the forms of corporate social responsibility and social accounting developed in the Western context are, in practice, largely orientated towards a 'repressive/counter radical' position. This, it has been discussed, is partly due to the struggle of radical forms of



social responsibility and social accounting concepts to survive and develop in a capitalistic and secular socio-political and economic framework, where profit making and risk management are the overriding objectives of business and accounting. Social responsibility and social accounting practices, consequently, are, to a large extent, captured by the current capitalistic hegemony, mobilised as management tools for enhanced shareholder value (see Power, 1991; Bebbington, 1997; Owen *et al.*, 1997; 2000; Gallhofer and Haslam, 2003). Syrian accountants' perceptions of the importance of the social roles of business and accounting in society can pose a challenge to these existing practices, whether in the Western context or by Arab companies' practices discussed in chapter six. They, if positively mobilised by policy makers, could act as a potential for introducing a more radical and emancipatory form of social responsibility and social accounting, where people responsible for developing and implementing these policies conceive social considerations, at least, as critical as economic ones.

Syrian accountants' views and perceptions on social responsibility and social accounting have on some occasions, however, conveyed confusion and scepticism that could hinder the realisation of the emancipatory and radical potential discussed. Syrian accountants interviewed in this study have demonstrated some confusion in respect of the significance and importance of the social role of private and small companies. They have also, when asked to comment on their perceptions on introducing a form of social accounting to Syria's practices, in part three of the interviews, demonstrated a lack of appreciation of the urgent need of such a form of accounting. A number of Syrian accountants have also considered social accounting to be 'new', suitable for 'developed' and 'Western' countries and not applicable in Syria in the current stage of Syria's development. They, for instance, did not seem to appreciate the historical roots of social accounting in general or in Islamic teachings in particular. Syria, according to them, should at this stage concentrate on bettering financial accounting practices and on enforcing the IASs in order to participate in the global order and end the state of stagnancy prevailing over its economy. Therefore, emancipatory and radical views of accounting and social responsibility demonstrated by Syrian accountants are repressed by the need of a country like Syria to survive in the current global order.

Syrian accountants' perceptions of accounting/social accounting practices touched upon and incorporated efforts to better these practices on national, regional and international levels. Suggestions included different means of engaging with praxis including reforms

and changes to key aspects of the social, political and economic frameworks in Syria and its relationship with the global community. There was an overall convention by Syrian accountants that introducing liberalisation measures, increasing the number of private and public holding companies and privatisation would increase the interest in accounting information and, therefore, the quantity and quality of this information. Syrian accountants interviewed in this study insisted that there is an urgency to develop and adopt accounting standards in Syria that would improve the level, nature and extent of reporting by Syrian companies. Syrian accountants' visions looked for the Western and other 'moderate' Arab countries' experiences for inspiration.

Syrian accountants' visions are a result of the disappointing events they have been experiencing. The nationalisation movement during the 1960s and 1970s, while it had the support of Syrians, seems today to be insufficient to allow Syria to survive in the global economy or reduce Syria's increased unemployment rates or improve Syrians' living standards. Syrians feel isolated from the rest of the world and other Arab countries. While engaging recently in regional and international treaties and joining a number of international organisations, Syria is not able to attract investments and has been refused the membership of the WTO.<sup>193</sup> Syrian accountants' visions for betterment, rightly, incorporate more participation and involvement with the global order. Syrian accountants, however, demonstrated little appreciation of the shortcomings of the current global order in bettering the quality of social accounting practices or enhancing the welfare of societies at large. With the exception of a few interviewees, Syrian accountants betray little critical assessment of marketisation measures or of IASs in respect of their suitability to the Syrian context or in respect of their neglect of the social dimension of business operations. So, while Syria's desire to join the global economy is justified, Syria has also to be more critical when enforcing international initiatives and models. Globalisation and its so-called global organisations, as explained in chapter three, are controversial issues that many link to capitalism and Western imperialism. Multilateral institutions of global economic governance such as the IMF, WB and WTO are, according to globalisation sceptics, acting as advocates to the principle agents of global capital and G7 states (Held and McGrew, 2002). These international organisations are working on behalf of capital and G7 states to pressure developing countries to open up their markets and loosen their control on the flow of capital in order to protect the interests of Western Multinational companies (Lentor, 1999;

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<sup>193</sup> The US and Israel have blocked Syria's bid to join the WTO (Zarocostas, 2005).



Rampersad, 2000). Syria and Syrian accountants, accordingly, should employ a more critical examination of these global initiatives and ways of doing. Syrian accountants that declared things like: 'I can not see anything wrong with anything international' (I2) and interviewees who opposed the introduction of mandatory regulatory measures to improve business social responsibility and social accounting practices on the grounds that they are obstacles in the face of the modernisation process, should also reconsider their uncritical position. The way IASs are endorsed in Syria, which according to the ASCA took place to meet 'the economic and legal change that our dear country (Syria) is witnessing today' (ASCA, 2001, see chapter seven), confirms this uncritical embracement of these international/Western practices. In addition, Syrian accountants' enthusiasm towards IASs has also indicated a lack of critical evaluation of IASs as an international initiative developed by an international governance institution that privileges Western thinking and interests (see chapter five). While foreign investments, a stock exchange and privatisation may result in increasing the quantity of accounting information disclosed, especially financial accounting information, they do not necessarily result in bettering the quality of this information. As seen in chapter three, social accounting practices in the West are still largely orientated towards 'repressive/counter radical' form of social accounting. Social accounting, while being more widely practiced in recent decades in the West, have not significantly satisfied the requirements of a radical form of social accounting that would provide a critique to the socio-political order and, therefore, better society. Similarly, Arab companies' social accounting practices discussed in chapter six have also demonstrated little emancipatory or radical potential. They were largely orientated towards the telling of good news, mainly qualitative with no verification or stakeholder engagement. Syrian accountants can start looking for these experiences as lessons to learn from, rather than as inspiring practices. Syrian accountants' aspiration to Western practices have also extended to include accounting education and training. On the one hand, Syrian accountants' visions for accounting education are somewhat emancipatory – in that a change in accounting education programmes to incorporate better the social dimension of accounting is demanded. Syrian accountants, however, appeared to be convinced that accounting education and training in the West sufficiently encompass social and environmental accounting.

Participants in general, throughout the interviews sessions, expressed this notion of fascination with Western practices, standards and education. They expressed a desire to



learn and engage with these practices and experiences. Syrian accountants declared how accounting/social accounting practices in Syria are way behind those of Western, 'developed' countries: '*This advanced accounting is not applicable in our country*'. (I4); '*The issue of accounting and its impact on society is a new topic that is not yet considered in our country*'. (I8). They also concurred of the inadequacy of the ASCA role in comparison to other Western, 'developed' countries accounting bodies' roles: '*The process of developing Syrian accounting standards is not a systematic one and it is nowhere near the way that American or international accounting standards are developed*'. (I10). They also talked of the inadequacy of the education/accounting education systems to the Western ones: '*I imagine if we have the same education system that is available in the US or the UK, the situation would be different*'. (I6). Syrian accountants seemed to portray a notion of inferiority to the 'developed', 'Western' or even other Arab countries as far as practicing accounting is concerned (this theme occurred throughout the interviews sessions). Therefore, accountants visions for bettering accounting/social accounting incorporated the desire to emulate these countries more successful experiences that Syrian accountants attributed to the introduction of liberalisation measures. These notions have led Syrian accountants to believe that accounting standards or education systems developed according to the Western models provide better chances for bettering accounting practices. This fascination may, partly, be informed and influenced by the orientalist's thesis of Western superiority discussed in chapter three. It might also be due to the common notion running through the Arab and Islamic world that for Arabs and Muslims to '*emulate Europe, then, was not really an affiliation of European superiority but an acknowledgment that Islam had fallen from its own position and needed access to the products of European progress to regain its ascendancy*' (Sadiki, 2003, p. 103). The perceived need and pressure to adopt Western practices, along with the fascination of Syrian accountants with, and their desire to emulate, the western ways of doings, is resulting in an 'uncritical reliance on Eurocentric definitions' of accounting by Syrian, Arab accountants (Sadiki, 2003, p.4). A situation that is significantly contributing to the orientation of accounting practices in Syria towards a 'repressive/counter radical' position.

Despite this overall orientation towards Western ways of doings Syrian accountants, and especially when talking of bettering social accounting practices, could not imagine this taking place without the strong involvement and encouragement from the Syrian government. In spite of the varying degrees of support for the introduction of legislation



to regulate social responsibility and accounting in Syria, Syrian accountants expressed the belief that any serious attempt to advance the concept of social accounting requires the efforts and involvement of the Syrian government. Syrian interviewees were in no illusion that the voluntary approach would be sufficient for the introduction of effective social accounting practices in Syria. Therefore, while Syrian accountants' visions for better accounting/social accounting in Syria are sometimes overshadowed by their desire to contribute to the global community, they include no illusions over the sufficiency of the voluntary approach. The Syrian government should mobilise this belief in its role in the Syrian society in order to enhance social responsibility and social accounting in Syria. If the Syrian government engages more efficiently with the Syrian society to promote awareness of social and environmental responsibility among all parties in society and if it sets a good example by starting with the most dominant sector in Syria (the public sector), it would be more successful in convincing the small, but expanding, private sector to follow suit.

Development and betterment of accounting/social accounting practices, however, can not be achieved on the national level alone. Syrian accountants in this study expressed a strong faith in everything that is international. The notion that Syria, as a 'developed' country, could benefit and learn from these Western, 'developed' international efforts was evident throughout the interviews. Syrian accountants, in this respect, indicated a great openness and readiness to learn and gain insights from international efforts and practices. The West and the international community today can, similarly, learn and draw lessons from the 'Other' and incorporate their visions and experiences. For instance, the West and international community can draw lessons from the history of a country like Syria (The Cradle of Civilisations as known in the Arab world), which hosted throughout history the Assyrian, Persian, Greek, Roman, Islamic, Seljuk, Mongolian and Ottoman Empires as well as the French occupation (see chapter seven). A history of a country like Syria teaches us that all cultures are involved in one another, none is single and pure, all are hybrid, heterogeneous and extraordinary differentiated (Said, 1993). Such realisation helps in abandoning Western attempts to define the realms of culture and experience into separate spheres (Said, 1993), where the Western culture and ways of doing are perceived as 'superior' and 'universal'. Taking the specific case of the Arab world, Western discourses have portrayed Islam and Arabs as dangerous to Western interests, outside the known, familiar, acceptable world that the West inhabits (Said, 1997). These notions justified Western imperial methods used to



'reshape' and 'change' the Arab world in order to elevate it to Western, 'superior' values of democracy, freedom and modernity.

As far as accounting is concerned, previous chapters of this study have voiced a concern regarding the insensitive Eurocentrism of international accounting and social accounting standards and initiatives. It has been argued that the way these standards and initiatives are developed and universalised, privileges Western thought and culture and ignores the non-West by degrading its thoughts and inspirations. International governance institutions, in this regard, including IASB, CERES and UNEP (institutions responsible for developing the GRI Guidelines) are a product of Western interests and needs that have been promoted as international products suitable and applicable on the global level. Previous chapters have also demonstrated how and why these international initiatives have failed to play an emancipatory role and failed to challenge the current 'repressive/counter radical' overall orientation of accounting practices. These initiatives, it has been argued earlier, have privileged business interests and concerns over other society's stakeholders. Consequently, these initiatives have been largely captured by hegemonic capitalist forces that countered any major radical and progressive potential they may promise. International initiatives of social accounting promoted along these lines fails to be emancipatory on the global level. Therefore, in order for these initiatives to overcome their repressive and insensitive Eurocentric nature, they should start looking beyond their conventions and start learning and gaining insights from other cultures and debates that perceive issues of social responsibility to be fundamental in any activity undertaken by individuals or corporations. It has been exhibited in chapter four how Islamic teaching and culture privileges and focuses on social justice in all activities of human life, including business activities. These thoughts and perspectives could be examined, learned from and incorporated in the development of international accounting/social accounting standards, debates and institutions. This process requires the employment of a transactive/transcultural two-way dialogue when differences are negotiated. In this environment, repressed cultures, such as that of the postcolonial world, are not ignored. The West, in this process, does not remain the privileged meeting ground for all cross-cultural and international conversations. For international accounting/social accounting standards and initiatives to be truly universal, they should be set and negotiated in a 'mutual transculturalism' where there is acknowledgement that the colonised people should be heard from and their ideas known.



Postcolonial people, on their part, including Syrian accountants whose perceptions were put forward in this study, should learn to appreciate and celebrate their culture and realise that in order for international initiatives to play an emancipatory and positive role in the Syrian society, they should be sensitive to their particular needs. So, while it is legitimate for Syrian accountants to be enthusiastic towards international initiatives, they should critically evaluate what these initiatives are celebrating and promoting and learn to appreciate their culture and history and reflect its values into their everyday life, including accounting practices.

## **Chapter Nine**

### **Conclusion and Ways forward**

#### **9.1 Introduction**

The concern of this final chapter is first: to critically analyse and discuss the overall findings of this study and second: to envision ways forward for the betterment of accounting/social accounting in the context of the Arab world of the Middle East, so that accounting play an emancipatory and progressive role in these societies. The final section of the chapter highlights the main contributions and limitations of this study. And recommend future research. The chapter will revisit the three main research questions based on the findings of the study. Section 9.2 will provide a summary and a critique of main arguments in the previous chapters. Suggesting and envisioning ways forward will be presented in section 9.3, influenced by the debates of the critical accounting school, especially those of Gallhofer and Haslam (2003) that recognise the possibility of betterment and progress along a continuum. The vision is also enlightened by debates from postcolonial theory and studies.

#### **9.2 A Critique of Social Accounting Manifestations in the Arab Middle East: A Postcolonial Perspective**

In addition to critically contributing to the overall debates surrounding social accounting, the main objectives of this study were, first, to explore the radical and emancipatory potentials of the current manifestations and practices of social accounting and reporting in a number of Arab countries in the Middle East: Saudi Arabia, Qatar, Bahrain, UAE, Oman, Kuwait, Jordan, Egypt and Syria. The second main objective was to critically investigate and explore reasons and factors behind these practices (or non-practices), and finally, to envision ways forward for the betterment of these current practices. A betterment that would empower accounting/social accounting to serve the particular needs of Arab societies and participate in the betterment and development of these societies and beyond. A radical form of social accounting has been delineated in chapter three as an accounting that provides a 'radical critique of the socio-political order, including its business organisations and their activities'. It is an accounting that challenges this order and promises to go beyond the narrow conventional accounting. It does that by a being an accounting for various entities or focuses, assuming various forms and having various contents, users and usages in radical and innovative ways so



as to open new ways of seeing (Gallhofer and Haslam, 2003). Social accounting should be emancipatory in the sense that it moves society towards fairer, more just conditions.

Meeting the objectives of this study was facilitated by the mobilisation of a variety of research methods both quantitative and qualitative, with an emphasis on qualitative ones. These included a comprehensive contextual analysis of the Arab countries in this study with an emphasis on Syria (see chapters five and seven); a detailed content analysis of a number of Arab companies' annual reports (see chapter six) and semi-structured, face-to-face interviews with a number of Syrian accountants seeking their perceptions, opinions, attitudes and vision in respect of accounting/social accounting in Syria (see chapter eight). The findings of these empirics are analysed within a critical theoretical framework informed by the critical accounting school debates, especially those of Gallhofer and Haslam (2003), which framework suggests that accounting or social accounting manifestation could be imagined to be falling on a continuum ranging between two opposite orientations: the 'emancipatory/radical' and the 'repressive/counter radical'. Gallhofer and Haslam (2003) propose that in between these orientations, one can conceive of a variety of positions.

The critical theoretical framework in this study was extended to incorporate debates from postcolonial theories and studies. Postcolonial theory and studies, as chapter three elaborated, are concerned with signifying a position against imperialism and Eurocentrism. Postcolonial theory in accounting research is mobilised to provide a critique to the problematic universal validity of Western accounting practices and institutions and to challenge this Western dominance (see Gallhofer and Chew, 2000; Annisette and Neu, 2004). Challenge it through arriving at new radical insights for accounting /social accounting by providing the basis for researching different cultures and historical contexts, other than those of Western ones or those that are informed by Western theoretical dimensions (Gallhofer and Haslam, 2003; Sadiki, 2003). Chapter four, in this context, brought forward insights into key Islamic teachings and principles and how they, in principle, impact on Islamic society, business and accounting relationships. Chapter four demonstrated how Islamic principles of Tawheed; Khilafah; Ihtisab; Adl; Akhrah; Ilm; Shura and Jima (see figure 4.1) require accounting practices that better reflect the social aspects and impacts of business activities and that demonstrate more accountability and transparency. In other words, Islamic considerations require the mobilisation of a radical form of social accounting to better



serve the Umma (Islamic society). The following three sub-sections will demonstrate and critically discuss the key findings of the empirical research in this study. The critical analysis is informed by the theoretical framework and the appreciation of social accounting demonstrated in chapters two, three and four.

### ***9.2.1 Accounting/Social Accounting Manifestations in the Arab Middle East are significantly influenced by Western/Anglo-Saxon Systems***

The study into how accounting/social accounting has been developed, regulated or practised in the Arab world demonstrated the strong influence of Western, Anglo-Saxon accounting regulations, standards, education, training and practices. Western accounting systems have penetrated and largely dominated the Arab world as a result of the colonial experience and the continued Western imperial and colonial hegemony in the current global order. International organisations and international governance have been mobilised by Western powers to further enhance their influence over the postcolonial world, including the Arab Middle East. As demonstrated in chapter five, the colonial experience, especially after the fall of the Ottoman Empire at the beginning of the twentieth century, resulted in the direct import and imposition of Western systems, including the accounting one. After independence, the new global order has contributed to the continued influence of Western systems in the Arab world, especially through the so-called international accounting organisations and initiatives promoted, or imposed on, the Arab World, as universal, best-practices and necessary steps towards growth and modernity. Such strong influence, and almost domination, resulted in accounting systems in the Arab Middle East being, to a large extent, a copy of Western ones. These Western practices, it has been argued throughout this study, are, in many cases, not in line with, or, on some occasions, contradict Arab-Islamic societies' needs and culture(s). This is evident in their emphasis on the narrowly financial, rather than the social dimensions of business activities, an emphasis that contradicts Islamic Sharia and the socialistic orientations adopted by some Arab countries after independence. It is also evident in their bias towards a secular and rational society rather than a society largely driven by religious teachings and spiritual elements. Furthermore, Western accounting systems, as discussed in chapter three, mobilise accounting information for the enhancement and satisfaction of the individual needs of providers of finance and capital rather than the bringing about of higher accountability and transparency and the betterment of society as a whole. Such Western, Anglo-Saxon influence on accounting in the Arab Middle East has resulted in a situation whereby, as in the Western story,



accounting regulations and standards in the Arab world lack comprehensive and radical mandatory requirements for social data. The Western, Anglo-Saxon dominance on accounting practices, however, is not complete. The dominance of the secular, Anglo-Saxon system(s) provoked the opposition of Muslims, who believe sincerely that a separation of religious and temporal affairs should not exist. These groups looked for even a stricter return to the fundamental teachings of Islam, as specified by Sharia (Gambling *et al.*, 1991). The efforts of Muslims, as far as accounting is concerned, have resulted in the introduction of the Accounting and Auditing Organisation of Islamic Financial Institutions (see chapter five, section 5.6.4.3). Despite the desire and efforts of some Muslims to develop Islamic accounting(s) in the Arab world, none of their governments have developed any regulation or reporting requirements that would regulate Islamic accounting and reporting. The reluctance or inability of Arab governments to regulate and significantly encourage Islamic accounting may be due to the impact of the current global order, where Western style accountings are used as universal basis and benchmarks to engage with the global economy. The move of all of the Arab countries in this study towards open door policies and privatisation has been accompanied, most of the time, with the adoption of IASs. The way in which IASs and other international and Western accounting systems ignore social and religious considerations indicate their repressive, Eurocentric and cultural insensitive nature. It could also be argued that the close connection between IASs and the current global order with its international governance organisations (such as the World Bank, IMF and WTO) raises questions over the imperial role that these standards are playing.

### ***9.2.2 Social Accounting Manifestations in the Arab Middle East are Orientated Towards a 'Repressive/Counter Radical' positions***

The empirical content analysis study of 69 annual reports from the nine Arab countries that manifested in chapter six has revealed that social accounting manifestations in the Arab world are mainly voluntary (not regulated by law or quasi-law), ad-hoc, with social information, if provided, being mostly positive and self-complementary, lacking significant critical information. Information took mostly the narrative form and fell short of providing sufficient or advanced financial or quantitative forms. The empirical research demonstrates that Arab companies have rarely reported on employing a social or an environmental management system or reported on any form of engagement or dialogue with a broad range of stakeholders. Furthermore, companies providing social disclosures failed to provide any independent verification for this information. Even



when these manifestations demonstrated a, somehow, radical or emancipatory potential by expressing considerations for national or religious elements, these disclosures fell short of providing any significant critique or challenge to the socio-political order due to the positive, uncritical, self-complementary features of these manifestations in general. Arab companies' apparent mobilisation of voluntary social accounting and social disclosures to mainly enhance their image, management control and portray themselves as good citizens, without providing critical information or even independently verifying this information, could result in empowering these business organisations in Arab societies (see Monbiot, 2001) by allowing them to choose what to disclose off and what to displace from public attention. This is particularly problematic in Arab societies as these societies are moving rapidly towards market liberalisation, where private and foreign capital are being given wider and increasingly influential role in the local economy and society. Such capture and mobilisation of social accounting for business objectives could result in the depriving of Arab societies of the opportunity to practice a radical form of social accounting that critically evaluates business activities. Social accounting manifestations in the Arab world, therefore, fail to be significantly radical and emancipatory or to be significantly mobilised for the betterment of Arab societies. The way social accounting and corporate social responsibility is emerging and is being promoted in the Arab Middle East is shadowing that of social accounting and corporate social responsibility in the Western context that was discussed in chapter three. Social accounting, in this sense, is not promoted as a radical form of accounting that aims at bettering Arab societies and challenges the dominant socio-political and economic order. Rather, social accounting and corporate social responsibility are promoted to Arab companies as tools for joining the global order, that in itself problematic, and be part of it. The first corporate social responsibility conference held in Dubai, UAE was dominated by corporations such as McDonalds, Shell and HSBC bank. The idea of corporate social responsibility, and social reporting for that matter, are presented to Arab societies in a corporate and Western mode that is ought to enhance Arab companies' image and role in the global economy. Little time was spent by conference organisers and participants to reflect on Arab/Islamic societies' needs and traditions or to promote corporate social responsibility and radical social accounting as a condition to better Arab-Islamic societies. So, rather than the problematic promotion of corporate social responsibility and social accounting as a business-led, Western contemporary phenomenon, social accounting can be promoted and shaped on the grounds that it represents a return to an Arab-Islamic tradition where business has a fundamental social



responsibility in society and where accounting should be a manifestation of that responsibility.

### ***9.2.3 A Radical potential of Social Accounting Manifestations in the Arab Middle East are Repressed by the Current Global Order and Eurocentric Accounting Models***

Chapter seven emphasised the case of Syria by highlighting key politico-economic and social factors to influence accounting/social accounting practices and regulations in Syria. Chapters seven and eight demonstrated the impact of the French mandate, the union with Egypt, socialism and nationalisation policies and recent moves towards marketisation and IASs on the accounting/social accounting framework and practices of Syria. In all of these stages in Syria's history, the Western and foreign influence on accounting regulation and practices has been evident. Chapter seven concluded that Syria, as part of the postcolonial world, had little chance to develop an accounting system that truly reflected its society's particular needs and circumstances. Syria's accounting system, similar to the one it shadows, lacks substantial requirements for social disclosure as understood in this study. Chapter eight further emphasised the Syrian case by bringing insights into a number of Syrian accountants' opinions, perspectives and visions of social accounting. The chapter reported on the results of face-to-face, semi-structured interviews with 19 Syrian accountants. Syrian accountants' perceptions of business and accounting roles in society portrayed somewhat a radical and emancipatory potential. The majority of interviewees perceived business to have a social as well as an economic roles in society and a significant number of them perceived accounting as a social phenomenon that, according to (I19), 'has to do with every single activity of our lives'. Syrian accountants somewhat emancipatory and radical views have, nonetheless, been hindered and repressed by the perceived urgent need of Syrian accountants to adopt IASs at this stage rather than developing a form of social accounting. Syrian accountants interviewed in this study explained that it is significant for Syria to adopt IASs at this stage of its development if it wants to end its isolation on the global level. The adoption of IASs, therefore, is perceived by Syrian accountants as a legitimising factor on the global stage (see also Annisette, 2004).

Syrian accountants interviewed in this study demonstrated little evidence of employing critical examination of what these international standards and initiatives represent, promote or stand for. There was little appreciation of how international and global accounting/social accounting projects and initiatives represent another form of



international scheme filtered through Westerners whose largely unquestionable intellectual integrity and international citizenship are mobilised to protect capital and imperialism (Sadiki, 2003). These international schemes, which mostly promote individualism, capitalism and secularism, have frequently by-passed particular traditions and cultural specificity on the notion that these traditions are key stumbling-block and problems to growth, development and modernity (see Hoogvelt, 1997; Held and McGrew, 2002; Sadiki, 2003). This current study has demonstrated how Western accounting system(s) are, to a large extent, in conflict with and fall short of satisfying the role that accounting should be playing in an Islamic society and under Islamic Sharia. It also pointed out some key specific aspects of the socio-political and economic context of the Arab world that requires somewhat different systems to the Western one(s).

Western, Anglo-Saxon cultural dominance over what and how things are measured in accounting and over the emphasis it gives of what to disclose of and what to leave out results in rewarding the West with a double power. As discussed in chapter three, Said (1987)'s Orientalism is built on Foucault's thesis regarding the relationship between knowledge and power. Said maintained that 'by knowing the Orient, the West came to own it' (Said, 1978, p. 128). If knowledge is power, accounting, as an information and knowledge communication tool and technology is then power. Consequently, those equipped with the privilege to disseminate their systems of meaning and systems of knowledge informed by their cultures over this influential communication tool (accounting), are no doubt poised to be doubly powerful. In other words, they come to dominate and lead culturally and politically (Sadiki, 2003). Western accounting models dominance over the Arab world, and over international initiatives and standards adopted in the Arab world, is, therefore, enhancing and maintaining Western control, imperialism and hegemony over it.

Western mobilisation of knowledge as power has extended, according to Said's argument, to mean that knowledge has sometimes to be invented for the purpose of power. Orientalism, as a discourse about the Orient, has been implicated in the service of imperial power. Talking specifically of the Arab-Islamic world, Orientalism has largely reduced the Arab/Muslim person and culture to be at best irrelevant or even, sometimes, to pose a threat to Western civilisation, modernity and humanity. The Arab is presented as irrational, untrustworthy, anti-Western and dishonest (Said, 1987). The



degrading of the non-Western Arab to an inferior, necessitating Britain's intervention to teach him/her the rational ways of the Occidentals, can not be clearer than in Cromer's<sup>194</sup> words:

'The mind of the Oriental...like his picturesque streets, is eminently without symmetry. His reasoning is of the most slipshod description...[on the contrary] The European is a close reasoner; his statements of facts are devoid of any ambiguity; he is a natural logician, albeit he may not have studied logic...his trained mind works like a piece of mechanism' (cited in Sadiki, 2003, p. 179-180, emphasis in original).

Accordingly, the European model, in any discipline, developed by the 'superior' and 'logical' European person, becomes the rule, the standard bearer from which the rest of the world's peoples are assumed to reap benefits and strive to copy, whether politically (Western democracy), economically (capitalism and marketisation), socially (individualism) or culturally (secularisation) (Sadiki, 2003). Accounting, as a social tool to achieve and enforce all of the above models, is no exception.

The Orient's relationship with and perspective of the Occident have been influenced by the above thesis. Therefore, while the Orient has despised the Occident's imperial and colonial rule and policies and, consequently, rose against them, a segment of the way the Orient perceive(s) the Occident (informed by the above thesis) contains a marker of fascination with the 'other' Occident and of 'inferiority' of the 'self' in a specific area-political and administrative organisation (Said, 1978; Sadiki, 2003). In this study, Arab/Syrian accountants' largely uncritical acceptance and enthusiasm towards Western accounting models enforce(s) this notion. Arab/Syrian accountants' expressed, on a number of occasions, the view that adopting Western practices, in the guise of IASs was a positive and necessary step for the betterment of Syria's accounting practices. In this manner, Western accounting practices, even in the opinion of Arab/Syrian accountants, represent a universal framework that is applicable globally regardless of the particular context. In spite of the overall agreement among Syrian accountants on the notion that accounting is a social phenomenon that can have an impact on the social conditions in Syria, Syrian accountants did not seem to employ that understanding to inform a critical appreciation of the IASs' Western, insensitive capitalistic nature before adopting them. Syrian accountants' desire to adopt IASs is not only a result of fascination with the

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<sup>194</sup> Lord Cromer ruled Egypt from 1883-1907. He reformed Egyptian finances, administration, and education and devised the Anglo-Egyptian system of government. Cromer was a Greek scholar and wrote books on imperial and Egyptian affairs.



West. Syrian accountants perceived such a step to be necessary for Syria to join the international and global community and escape the stagnancy prevailing over its economy. Syria ought, Syrian accountants indicated, to adopt IASs as a signal to the global market of Syria's willingness and ability to attract foreign companies and capital and to promote itself as a modern state. Syrian accountants perceived the adoption of IASs as 'a choice we have to make', as an ex-Finance Minister explained. A choice, Syrian policy-makers have to make if they were to join the global economy and attract foreign companies and foreign investments. Accounting in Syria, therefore, is becoming a tool for satisfying the needs and preferences of multinationals and foreign capital promising to operate in Syria. The choice and decision to adopt or develop accounting standards in a country like Syria, accordingly, is not primarily built on providing more accountability and transparency to a broader range of information users in society but to serve and enhance the current, problematic global socio-political and economic order. Such a global order, therefore, is contributing to the repressing of radical potentials of social accounting.

### **9.3 Ways Forward and Potentials for Change**

Accounting/social accounting manifestations in the Arab world, this study suggested, failed to be significantly radical, emancipatory and enabling. The findings reported in this study indicated that accounting/social accounting manifestations in the world are orientated towards a 'repressive/counter radical' position, rather than an 'emancipatory/radical' one. The purpose of this section is to provide a sketch for bettering accounting/social accounting manifestations in the Arab world, so that accounting/social accounting plays an emancipatory and enabling role in the societies of the Arab world and beyond. The critical theoretical framework established in this study aids the study in envisioning ways forward that includes propositions for bettering accounting and social accounting practices by engaging with praxis on both national and global levels, directly or indirectly (see Gallhofer and Haslam, 2003, p: 161). The study maintains that any serious attempt for bettering accounting/social accounting practices in any particular context operating within the current global order should be accompanied by some radical and universal changes on this global level. Attempts to move towards a form of 'emancipatory/radical' accounting/social accounting require a direct engagement with praxis to better accounting practices through, for instance, intervention into the way accounting is regulated and the way standards are set and



developed, or indirectly through, for instance, critique of and intervention with the socio-political and economic order and context; through putting forward proposals in respect of global governance including international accounting/social accounting organisations and initiatives; through intervention in accounting training and education; through intervention in the way accounting and social accounting are theorised and researched in the Western-influential context as well as in the postcolonial Arab context; by providing a critique of Western problematic attitudes and perceptions of the non-West and its ability to contribute to world governance and by the empowerment of non-Western perspectives by giving these perspectives a 'voice' on the global stage. These recommendations will be in the context of the Arab countries researched in this study, with special emphasis on the case of Syria. Envisioning ways forward will touch upon three significant concerns, including regulating accounting/social accounting on national and global levels; international collaboration for setting accounting standards and accounting education. These are demonstrated in the following sub-sections.

### ***9.3.1 Regulating and Setting Standards for Accounting/Social Accounting***

As far as regulating accounting/social accounting is concerned, Syrian accountants' views can provide a good starting point for envisioning a way forward. Syrian accountants interviewed in this study demonstrating some contradictory views in respect of the urgency of practising a form of social accounting to the Syrian society. They, however, were in nearly total agreement that for such accounting to be radical and enforceable, it requires mandatory regulations set by the government to regulate it. Syrian accountants expressed opinions that undermined the voluntary approach to practising social accounting and gave significant importance to the Government's role in this process. Chapter two and three highlighted how the voluntary approach, and the current global system, which is supporting such an approach, did not result in the introduction of a radical or emancipatory form of social accounting. On the contrary, social accounting has been largely captured by hegemonic forces to enhance capital interests and for problematic image building. The content analysis study carried out in chapter six has also confirmed that Arab companies' social accounting practices are only mildly progressive and orientated more substantially towards a 'repressive/counter radical' position. These observations support a call for more mandatory regulations in respect of social responsibility and social accounting in order to provide a radical critique of business activities. Syrian accountants' interviewees have insisted that a

practice of social accounting to take place, the Government has to intervene in order to regulate and enforce such practices. Syrian and Arab Governments, therefore, can capitalise on these progressive conventions in order to bring about and enforce such accountings. They can also capitalise on Arab societies' Islamic orientations by reminding them that such practices are in line with the Islamic Sharia of social justice, redistribution of wealth and caring for the environment.

The setting of accounting standards in the Arab world should also change to better encompass the social dimensions of business activities. An inspiration in this sense can be gained from some of the emancipatory conventions expressed by Syrian accountants that perceived the role of business and accounting in society to be social as well as economic. Such conventions can be mobilised to the setting of accounting standards in Syria that incorporate the social as well as the financial. Islamic teachings and principles can also be mobilised to provide an inspiration for incorporating a radical form of social accounting in Arab societies in general. As demonstrated in chapter four, the main objective of Islamic Sharia is the creation of a just and fair society. Therefore, Muslim activities, including business ones, in accordance with Sharia, should overall contribute to the achievement of that objective. Social responsibility according to Sharia becomes a primary condition to business activity, rather than, as conceived in conventional Western economics' view to be 'not of concern for business people' (Friedman, 1970 cited in Carroll, 1993, p.37). Or as perceived in mainstream social responsibility debates: a nice addition and 'fix' to the already dominant economic dimension (O'Dwyer, 1999). Such insights open up possibilities of indigenous 'paths' or 'routes' to emancipatory/radical accounting/social accounting (Sadiki, 2003). Chapter four elaborated how accounting and accountants' role in Islam and in an Islamic society should in principle be mobilised to enhance justice and fairness in society through providing a fair basis of sharing profit and wealth, primarily through the calculation of Zakat, and providing a basis for the redistribution of power within society through providing a transparent and accountable information to society on business activity and its impact on Umma's wellbeing, even if this information would harm the company (Maali *et al*, 2003). Accounting under Islamic teaching could, consequently, be considered to represent a form of an emancipatory and radical social accounting that goes beyond the narrow economic focus of conventional accounting and demonstrates higher transparency and accountability. Incorporating Islamic teachings into the setting



and developing of accounting standards can provide basis for more radical accounting practices.

Therefore, the setting and developing of accounting standards in Arab societies should begin to incorporate the cultural and religious beliefs of these societies when dictating and reporting on business activities operating there. This study demonstrated that while Islamic accounting practices are on the increase in the Arab world, it is still a marginal activity practised by a limited number of financial institutions termed Islamic. Accounting regulations, training, education and practices in the Arab world, as established earlier, have so far, to a large degree, been the results of the imperial experience in the Arab world and the uncritical copying and adoption of Eurocentric delineations of accounting and accounting's role in society. A fundamental consideration for Arab policy-makers, regulators and educators should be to employ a critical examination to European, Western standards, practices, curriculum and teaching programmes promoted to them as universals and best practices. They should adapt them to Arab-Islamic society's needs and particularities. This does not mean that there should not be a room for exposure to and learning from the culture of the 'other', Western. This exposure, however, should be adapted to cultural specificity (Held and McGrew, 2002; Sadiki, 2003). Syrian accountants interviewed in this study, who represented a range of policy-makers, regulators, educators and practitioners, have demonstrated on some occasions an uncritical willingness to adopt Western accounting practices as their own on the basis that these practices are the most 'efficient', 'easy', 'necessary', but most of all on the assumption that they are universal. Only a small number of interviewees expressed their caution regarding the adoption of these practices without filtering them to Syria's specific needs. Syrian, and Arab accountants for that matter, should begin to realise that Western, so-called international accounting/social accounting standards do not necessarily satisfy the needs of Arab societies, unless they are adapted when adopted. That is, unless, for instance, interpretations of accounting are manipulated under the guise of some notion of an 'Arab Accounting' or 'Islamic Accounting'. The Arab Society of Certified Accountants can play a significant role here. As mentioned in chapter five, the Arab accounting association enjoys a significant success in the Arab world and increased range of membership throughout the Arab world. Some Syrian accountant interviewees have expressed the notion that they have more faith in the Arab Association than in the ASCA. This popularity and willingness to become a member of the Arab Society of Certified Accountants demonstrate a notion of pan-Arab feeling of

common history and common destiny. Chapter five elaborated on how the Arab world before the European occupation constituted one nation without boundaries with a continuous geography and common language and religion. This historical bond enhances the ability of an Arab institution to bring about harmonised and enforceable standards. The Arab Association can mobilise such popularity to bring about efforts and experiences throughout the Arab world to develop accounting standards that are compatible with Arab-Islamic societies. At the same time, these standards can serve and enhance the ability of these societies to engage and trade with each other in light of increased initiatives for Arab markets and trade agreements (see chapters five and seven). The Association can also mobilise this power to represent and defend Arab/Islamic societies' interests on the global level. The Arab Association thus far has limited its over reaching influence to the translation and promotion of IASs and Western, especially Anglo-Saxon, practices, without the critical adaptation of these practices. Unless the Association chooses to mobilise its role to reflect its societies' needs and welfare, its role will be limited the uncritical promotion of Western cultural insensitive practices and interests. The Arab Association can, for instance, give support and incorporate Islamic Organisations' efforts to develop Islamic accounting. It can also begin to develop a form of social accounting along Islamic and national consideration lines to protect and better Arab societies. The Association's involvement in developing Islamic accounting (which as seen in chapter four holds emancipatory potential) and social accounting can bring them to the forefront of Arab practices, rather than being considered as practices particular to a few Islamic institutions.

Syrian accountants who expressed the belief that IASs are necessary for economic growth and prosperity should look for the other Arab and Western experiences for lessons and not only for inspiration. These experiences demonstrated how the conventional financial form of accounting, represented by IASs, and some features of mainstream social accounting, have effectively served the underlying political hegemony of the capitalistic system by displacing and ignoring the radical forms of social manifestations and reporting, failing, in turn, to serve the whole community or the public interest (see Gallhofer *et al.*, 1991; Gallhofer *et al.*, 2003). Syria can, to a certain extent, attempt to overcome such impact when moving towards a more open market by ensuring that accounting practices and disclosures are serving the whole society rather than capital and the interest of capital providers.



### **9.3.2 International Collaboration**

On the international level, the way that the so-called international or global accounting/social accounting standards are set and developed and the way that organisations that develop them operate, should also be altered. If IASB or GRI are to really represent international or global initiatives, they should restrain from turning a putatively universal system, such as setting international accounting/social accounting standards, into a rigid particularism, making it unpalatable to cultural identities such as those of the Arab-Islamic (see Held and McGrew, 2002; Sadiki, 2003). IASB and GRI, in the present sense, do not adequately represent various cultures and diverse people. They are particularistic to the extreme, reflecting in the first instance the 'dominant ideology' of secularism and individualism and the will of their founding fathers (Sadiki, 2003). Envisioning a way-forward, influenced by Postcolonialism, to developing an international or global framework to setting accounting standards, should celebrate hybridity as a superior cultural intelligence owing to the advantage of 'in-betweenness' and the consequent ability to 'negotiate the difference' (Hoogvelt, 1997). Global governance, according to postcolonial theory and studies, should be formed according to and informed by a transactive/transcultural two-way process of interactive dialogue, negotiation and exchange and the joint participation of East and West (Gandhi, 1998). In this process of transculturalism, the colonised culture is not repressed or ignored, but, alternatively, heard and learned from (Said, 1993).

While cultural imperialism of the West in developing IASs, or GRI Guidelines have largely participated in closing the West to 'natives' or 'others' paths and voices, natives (in the case of this study Arab/Islamic or Syrian accountants) have also failed to push hard enough to get their voices heard and their ideas known. A number of Syrian accountants interviewed in this study maintained that international accounting organisations are not the only ones to blame for the exclusion of Syrian/Arab voices when setting IASs or other international standards. They explained that the Syrian accountants' profession (ASCA) had constantly failed to react or participate in IASB's discussions when they were invited to do so as members of IFAC. A reason behind this passive role of Syrian accountants and the Syrian profession is due to the lack of resources to contribute to these discussions. Another aspect expressed by some Syrian accountants interviewed in this study is the feeling of inferiority of the 'self' among Syrian accountants to positively participate in the process of setting international



accounting standards. A number of interviewees declared that they would not know better than the 'Western' experts setting IASs. Therefore, seeking insights from the rich and particular culture of the Arab world should not be limited to Western and international organisations/accounting organisations. Syrian/Arab accountants can also revisit their culture and teachings and gain insights into how these can contribute to the betterment of accounting/social accounting practices. For instance, in the case of Syrian accountants and Syrian regulators, insights into the importance of transparency, accountability and re-distribution of wealth as well as the role of the accountant (Muhtasib) in Islamic principles and teachings could contribute to the introduction of a more emancipatory accounting/social accounting practices in Syria.

The process of developing international accounting/social accounting standards should consider the notion that the difference of culture is something that cannot be accommodated within a 'universal framework' (see Bhabha, 1990). Bhabha (1990, p. 209) explains that 'it is actually very difficult, even impossible and counterproductive, to try and fit together different forms of culture and to pretend that they can easily coexist. This notion does not contradict with the possibility of setting international or global accounting standards under the transactive/transcultural model. It is, however, a reminder that such 'universal framework' cannot in anyway accommodate for the needs of all different cultures, but can, on the other hand, highlight and discuss these differences and needs and explore the possibilities of learning from them with the absence, as Gallhofer and Haslam (2003, p. 17) explain, of a 'privileged subject for radical change'.

### ***9.3.3 Accounting Education***

Accounting education and training in the Arab world should also be adapted to the Arab-Islamic setting. The context analysis in chapter five revealed how accounting education in the Arab world is dominated by Western, Anglo-Saxon models, theories and text books. A number of Syrian accountants interviewed in this study expressed an understanding of social accounting similar to that viewed in mainstream social accounting debates in the West. They conceived social accounting as 'new', 'Western' and 'luxurious' type of accounting. They did not connect directly between social accounting and Islam. This could be attributed to the shadowing of Arab/Syrian accounting education programmes to the Western ones, which concentrate on financial



and measurement aspects of accounting and displace social or religious considerations ones. Syrian accountants interviewed in this study expressed an overwhelming convention that accounting can only play its emancipatory role in society if accounting education and training were altered to incorporate the social dimension of accounting. Interviewees have even expressed a notion that not only accounting education and training should be altered, but also education programmes in general and societies' perceptions of accounting and accountants, the role of accounting and accountants in society and the relationship between business and society should also be altered. Interviews highlighted the deficiencies in Syrian accounting education and training programmes and explained how they are dominated, like the Western models they echo, by 'techniques acquisition' (see Gray et al., 1994). They explained how little time is spent on teaching accounting as a theoretical and social sciences and connect it to other social sciences and disciplines. They also elucidated how society as a whole largely perceives accounting as a technique rather than a social phenomenon. A review of a number of research papers dealing with accounting in the Arab world (see chapter two, section 2.3.2.2) has also indicated the absence of a critical theorisation and appreciation when researching accounting in the Arab world. Such absence of critical approaches to researching accounting does little to change and challenge the *status quo* or to bring more emancipatory forms of accounting. Accounting education and training in the Arab world could begin to encompass 'a critical orientated education that would enable students to question rules and standard' (Lehman, 1988, p. 77; see also Power, 1991b, Puxty et al., 1994; Gray et al., 1994; Gallhofer et al., 1999; Gallhofer and Haslam, 2003). Accounting education in the Arab world could also embark on taking place within and be constituted with Arab-Islamic cultural context.

The alteration and revisiting of accounting education in particular and education programmes in general should not be limited to the Arab world. Western and international attitudes to education should also be revisited and altered to include the history of other cultures. Instead of the partial analysis in dominant Western education systems and theoretical schools, Said (1993, p. 385) proposes, they should employ a 'contrapuntal lines of a global analysis' in which texts and worldly cultures and institutions are seen working together. This vision, along with a transactive/transcultural approach to setting international standards would eventually result in a discursive interconnection between ideas of the East and of West, where the 'East [becomes] in the West' and the 'West in the East'. (Sadiki, 2003).



#### **9.4 Contributions, Limitations of the Study and Recommendations for Future Research**

The ambition of this study was to contribute to social accounting and international accounting literature from the perspectives of the Arab Middle Eastern setting. It is also the only study, to the best of my knowledge, thus far to incorporate postcolonialism with the study of accounting in the Arab world. The study, in this respect, is a timely one in its questioning of the Western influence and hegemony over accounting practices in the Middle East in a period of time when Arab societies are perceiving a need to move rapidly towards market liberalisation to be able to participate in the global economy. It is also a moment in history when Western troops are re-invading parts of the Arab world, declaring their plan to 'change' and 'reshape' the Arab world. The study demonstrates how physical and cultural Western imperialism have participated to shaping and re-shaping significant aspects of Arab societies, including accounting. It concluded that Orientalism is as relevant today as it was nearly thirty years ago when Said wrote his book 'Orientalism'. The study elaborates that more than four decades after decolonisation in the Arab Middle East, the struggle for cultural decolonisation is yet to be won (see Sadiki, 2003).

The study has contributed to accounting and social accounting literature through pursuing significant critical themes. The study has engaged in delineating and understanding social accounting from a critical perspective and under a critical theoretical framework. It extended this critical delineation and understanding to incorporate insights from the Arab-Islamic culture and context and extended the critical theoretical framework to incorporate natives' and postcolonial people's vision and perspectives. The study has also explored how social accounting manifestations in the Arab Middle East have been captured and mobilised by hegemonic forces. It highlighted the problematic cultural imperialism's impact on social accounting manifestations in the Arab Middle East that contributed to the orientation of these practices towards a 'repressive/counter radical' form of social accounting. The study has also explored the emancipatory potential of social accounting informed by the critical dimension of the study and by the particular Arab-Islamic context and setting. The study, has, finally, provided a vision and suggested ways forward, informed by the critical theoretical framework and interview findings. It engaged with praxis on



national, regional and global levels, directly and indirectly, to realise a state or a form of an emancipatory/radical social accounting in the countries of the Arab Middle East.

While the study wished to contribute to these ambitious debates and critical theoretical themes, it was also faced with challenges and was subject to some limitations. The biggest limitation facing the researcher of this study was her restricted access to information and people. While the researcher was aware of the danger of presenting an incomplete picture by emphasising the business case and solely researching corporate annual reports prepared by businesses, her inability to have access to government documents and other public debate mediums limited the completeness and comprehensibility of this study. Further, the limited access to perceptions of accountants in a broader setting in the Arab world has also formed an obstacle for more comprehensive insights into Arab accountants' attitudes and opinions. The researcher's access was restricted to accountants in Syria. Syria, while sharing common history with the Arab world and having many similarities with its general socio-political and economic context, is probably the most different in comparison to all countries in this study. Syria, for instance, was occupied by France and not Britain as in the case of all the other countries in this study. Syria is also the last of these countries to seek market liberalisation. It is the least of them to have close relations with the West and probably the least of them to portray religious orientation in business activities due to its secular policies after independence. With such contextual differences, the study is not claiming to provide comprehensive insights into general Arab accountants' perceptions.

The study has also been concerned with analysing social accounting in the Arab world by engaging in holistic and critical debates that are important conditions for understanding and bettering accounting and social accounting in the Arab world. Placing important issues at the heart of the analysis resulted in the envisioning of ways forward being presented in a sketch rather than a detailed blueprint for bettering social accounting practices in the Arab Middle East. Further research could concentrate on segments of this comprehensive picture and give more detailed guidance for the betterment of that segment in line with the comprehensive understanding (such as accounting education in the Arab world). Future research can overcome these limitations. Broader perceptions of Arab accountants can be sought. The role of the Arab Association of Certified Accountants can further and more thoroughly be

explored, and researching accounting and social accounting in the Arab world can concentrate on cases other than or broader than mainly the business case.

### **9.5 Summary**

This chapter has represented the conclusions of this critical study of social accounting in the Arab Middle East. It has also discussed ways forward for the betterment of social accounting in the Arab world and beyond from a critical and postcolonial perspectives. The chapter has also discussed the contribution, limitations of this study as well as future research that can be conducted to enrich this under-researched area of social Accounting in the Arab Middle East.



## Appendix 1a: The Sample by Company

The sample in this study includes 68 companies from 8 Islamic Arab Middle Eastern Countries namely (Saudi Arabia, Oman, Qatar, Bahrain, Kuwait, UAE, Syria, Egypt and Jordan). The following table illustrates the name, country and sector of these companies

	Company	Country	Sector	Ownership
1	Sabic	Saudi Arabia	Industrial	Public Holding Company
2	Saudi American bank	Saudi Arabia	Financial	Public Holding Company
3	Etisalat	UAE	Telecoms	Public Holding Company
4	Riyad bank	Saudi Arabia	Financial	Public Holding Company
5	The Saudi British Bank	Saudi Arabia	Financial	Public Holding Company
6	Sceco-Western	Saudi Arabia	Electricity	Public Holding Company
7	Arab bank	Jordan	Financial	Public Holding Company
8	Qatar Telecom company	Qatar	Telecoms	Public Holding Company
9	Batelco	Bahrain	Telecoms	Public Holding Company
10	Kuwait finance house	Kuwait	Financial	Public Holding Company
11	Mashreq bank	UAE	Financial	Public Holding Company
12	Emirates bank international	UAE	Financial	Public Holding Company
13	National bank of Abu Dhabi	UAE	Financial	Public Holding Company
14	Saudi investment bank	Saudi Arabia	Financial	Public Holding Company
15	NSCSA	Saudi Arabia	Services	Public Holding Company
16	Investcorp	Bahrain	Financial	Public Holding Company
17	National mobile telecom	Kuwait	Telecoms	Public Holding Company
18	Abu Dhabi national insurance	UAE	Financial	Public Holding Company
19	National bank of Bahrain	Bahrain	Financial	Public Holding Company
20	Ahli united bank	Kuwait	Financial	Public Holding Company
21	Kuwait real estate bank	Kuwait	Financial	Public Holding Company
22	Bank al Jazira	Saudi Arabia	Financial	Public Holding Company
23	Bank of Bahrain and Kuwait	Bahrain	Financial	Public Holding Company
24	Qatar national transport	Qatar	services	Public Holding Company
25	Bank Muscat	Oman	Financial	Public Holding Company
26	Qatar Shipping co	Qatar	Services	Public Holding Company
27	National bank of Fujira	UAE	Financial	Public Holding Company
28	Doha bank	Qatar	Financial	Public Holding Company
29	Qatar national bank	Qatar	Financial	Public Holding Company
30	Abu Dhabi commercial bank	UAE	Financial	Public Holding Company
31	Sceco eastern	Saudi Arabia	Electricity	Public Holding Company
32	Public warehousing company	Kuwait	Services	Public Holding Company
33	Arab national bank	Saudi Arabia	Financial	Public Holding Company
34	National industries	Kuwait	Industrial	Public Holding Company
35	Arab banking corporation	Bahrain	Financial	Public Holding Company
36	First Islamic bank	Bahrain	Financial	Public Holding Company
37	Union national bank	UAE	Financial	Public Holding Company
38	Arab insurance group	Bahrain	Financial	Public Holding Company
39	The Arab Potash company	Jordan	Industrial	Public Holding Company
40	Syria-Saudi company	Syria	Food & Beverages.	State owned company
41	The international investor	Kuwait	Financial	Public Holding Company



42	Bahrain international bank	Bahrain	Financial	Public Holding Company
43	Arab Jordan investment bank	Jordan	Financial	Public Holding Company
44	Export and finance bank	Jordan	Financial	Public Holding Company
45	Gulf international bank	Bahrain	Financial	Joint venture between the state and private sector.
46	Bahrain Kuwait insurance	Bahrain/Kuwait	Financial	Public Holding Company
47	Kuwait projects company	Kuwait	Financial	Public Holding Company
48	Faysal Islamic bank	Bahrain	Financial	Public Holding Company
49	Kuwait national petroleum company	Kuwait	Oil	State owned company
50	Taib bank	Bahrain	Financial	Public Holding Company
51	Kuwait & Middle East finance investment company	Kuwait	Financial	Public Holding Company
52	Oman Arab bank	Oman	Financial	Public Holding Company
53	Jordan Kuwait bank	Jordan	Financial	Public Holding Company
54	Saudi Aramco	Saudi Arabia	Oil	State-owned company
55	Kuwait oil company	Kuwait	Oil	State owned company
56	Saudi Holandi Bank	Saudi Arabia	Financial	Public Holding Company
57	The United Bank of Kuwait	Kuwait	Financial	Public Holding Company
58	Central bank of Kuwait	Kuwait	Financial	State-owned company
60	Syrian company of hotels	Syria	Services	Joint Venture company. (Government owns 25% of shares, making it the largest shareholder in the company).
61	Pachin. Paints and Chemical Industries	Egypt	Industrial	Public Holding Company
62	Egyptian company for pharmaceutical industries	Egypt	Industrial	Public Holding Company
63	Egyptian company for mobile services	Egypt	Telecoms	Public Holding Company
64	Suez Cement company	Egypt	Industrial	Public Holding Company
65	Delta Company	Egypt	Industrial	Public Holding Company
65	Delta Industrial company	Egypt	Industrial	Public Holding Company
66	Maser bini suef cement company	Egypt	Chemical	Joint venture between government and private sector.
67	Naser city housing and building company	Egypt	Services	Joint venture: 75% private shareholding. 25% governmental stake.
68	Al Ahram Beverages company	Egypt	Food & Beverages	Public Holding Company

#### Appendix 1b The Sample by Sector

	Sector							
Country	Industrial	Utilities	Financial	Food and Beverages	Oil	Telecoms	Services	Total
Bahrain			11			1		12
Egypt	6			1		1	1	9
Jordan	1		4					5
Kuwait	1		8		2	1	1	13
Oman			2					2
Qatar			2			1	2	5
Saudi Arabia	1	2	7		1		1	12
Syria				1			1	2



UAE			7			1		8
Total	9	2	41	2	3	5	6	68

## Appendix 2: The Research Instrument of the Content Analysis study.

(a) <sup>195</sup> Categories employed to explore disclosure under the 'economic' dimension.	Description of categories and sub-category used in the categorisation process. <sup>196</sup>
1. Supplier relations	Disclosure in this category primarily includes details regarding nature and location of outsourced operations, performance of organisation in honouring contracts with suppliers, including meeting payment schedules, surveys carried out by organisation for measuring supplier's satisfaction and information related to drivers behind the choice of suppliers.
2. Customer relations	Disclosure in this category mainly includes consumer complaints and consumer's satisfaction surveys and consultation, and other disclosures relating to consumer interests (consumer needs; consumer concerns, marketing practices).
3. Islamic considerations in company business decisions and company activities.	Disclosure under this category could include reporting on investment decisions taken by the organisation in compliance with Islamic rules and teaching, how contracts, transitions and dealings are performed in adherence to the principles of Islamic Sharia, and disclosure(s) relating to Zakat obligations and payments. <sup>197</sup>
4. Linking company business activities and decision making with governmental and national considerations	Disclosure under this category mainly include description of how the organisation's policy and decision making are in line with governmental plans and committed to the growth of the national economy. May also include disclosure regarding the relationship between the organisation and the government.
(b) Categories employed to explore the 'environmental dimension'.	Description of categories and sub-category used in the categorisation process.
1. Energy	Disclosure relating to energy could touch upon the type and total energy usage in the company and energy conservation and efforts to reduce energy consumption, and use/development/Exploration of new resources, efficiency, installation, etc. (Gray et al., 1995a). Sub-categories are: <ul style="list-style-type: none"> <li>• Energy conservation and savings.</li> <li>• Other energy related information.</li> </ul>
2. Water	Disclosure could include: total usage of water, water conservation and efforts to reduce water consumption
3. Waste.	Information about recycling, reuse, re-manufacturing, clean up, spillage.
4. Pollution control	Pollution control includes talking about, for example, emissions, effluent and cutting noise pollution.
5. Sustainability	Disclosures relating to sustainability or the mentioning of sustainability,
6. Material usage (other than fuel and water)	Disclosure under this dimension primarily include material types used by corporations, total material usage (other than fuel and water) and efforts to reduce material consumption,
7. Transport	
8. Habitat Protection	
9. Land-use/Biodiversity	
10. Environment management and	This could include information related to environmental policy,

<sup>195</sup> Category: The broad areas, or grouping, of economic, environmental, or social issues of concern to stakeholders (e.g. human rights, direct economic impact, etc.) (GRI, 2002).

<sup>196</sup> The general subsets of information that are related to the specific category. A given category may have several aspects, which may be defined in terms of issues, impacts, or affected stakeholder groups (GRI, 2002).

<sup>197</sup> See previous chapter for understanding of the meaning of Zakat.



control.	whether a formal one or in the form of company 'will' company 'does' structure throughout the report. It also includes disclosure of an existence of environmental audit and management system. As well as, disclosures regarding compliance with national and international regulations. incidents rates,
11. Other environmental disclosure.	This category includes: studies and research regarding environmental issues, discussing of general environmental issues that do not directly relate to the organisation's activities or disclosures regarding educating the community on environmental issues.
<b>(c) Categories employed to explore the 'general social dimension'.</b>	<b>Description of categories and sub-category used in the categorisation process.</b>
1. Community developments.	Under this category, disclosure primarily includes local, national and international community development, including donations, whether to schools, art, sport, health, research or education. Charity disclosure, whether amounts of charities or destination of charity. It could also include any other reference to community outside the labour force and charities.
2. Employee issues	This could refer to the one or more of the following sub-categories: <ul style="list-style-type: none"> <li>• Training and education of employees, this could include details of the nature of these courses and numbers of employees attended such training courses.</li> <li>• Employee satisfaction surveys and consultations.</li> <li>• Employee benefits and wages.</li> <li>• Details of the work force in the company like number of employees and their qualifications.</li> <li>• Statement(s) showing gratitude and thanking of employees.</li> <li>• Employee retention rates.</li> <li>• Disclosures that are specially related to employee disclosure in the context of Arab countries is disclosure related to the nationalisation of employees and work-force in these countries.</li> </ul>
3. Health and safety issues	Disclosure under this category could include: <ul style="list-style-type: none"> <li>• Health and safety at work.</li> <li>• Toxic hazard (e.g.) to employees and the public.</li> <li>• Any reference to health and safety law.</li> <li>• Information to employees, training.</li> <li>• Accidents. (Gray et al., 1995).</li> </ul>
4. Management information	This could include information related to names of the board of directors and the management team. An organisation could go further to provide and disclose the C.V.s of the management team or/and even disclosed the management team or board member(s) responsible for social issues.
5. Commitment statements to social responsibility and other types of social commitment indications.	This category relates to any disclosure of: <ul style="list-style-type: none"> <li>• Policy statement(s) or any general reference to the organisation's commitment to social issues (other than environmental issues). Policy statement could be of formal type headed with social policy or form part of the general formal policy of the company. Other policy statements could be things like company 'will' company 'does' form, or any reference to setting of social standards or targets, performance against benchmarks or reference to vision and strategy of the company,</li> <li>• Other: which could include acknowledgement of success or failure in achieving targets, reporting on accidents (other than environmental related ones), undertaking social audit, staff training relating to social issues, compliance with regulations and the law (other than environmental ones), information related to prosecutions and complaints, charter subscription, sponsoring research devoted to social issues and an indication to any independent verification of the social disclosure within the report.</li> </ul>
6. Other general social disclosures	Under this category a large number of issues could be included, however the study limits these issues to matters such as: child labour



	issues, forced labour issues, human rights issues, indigenous rights issues, freedom of association and right to collective bargaining, and equal opportunities issues such as equal opportunities for women, the disabled and minorities, or even equality issues mentioned in general, and finally, discussing general social issues (other than environmental ones) that are not related to the organisation's direct activities.
(d) Categories employed to explore 'other cultural characteristics of the annual reports dimension'.	Description of categories and sub-category used in the categorisation process.
1. Other indications of Islamic and nationalistic influence on reporting	<p>After conducting a pilot study on the 68 Arab companies annual reports, the following sub-categories seemed to appear in a reasonable number of reports:</p> <ul style="list-style-type: none"> <li>• Starting reports with mentioning the name of God.</li> <li>• Islamic and religious influence on the style of writing throughout the report.</li> <li>• Including versus from the Holy Quran.</li> <li>• Including a thanking statement to the rulers and the government of the country.</li> </ul>

### Appendix 3: Interview Guide

Q.1 What do you perceive to be the role of business in society?

Q .2 What do you perceive to be the role of accounting in society?

Q.3 What is your perception of the concept of social accounting? And how useful do perceive the introduction of such accounting in the Syrian society today?

Q.4 What are your suggestions for bettering accounting/social accounting and reporting in Syria?

### Appendix 4: Professional Background of Interviewees

Intervi ewees	auditor	ASCAI	Arab Association Member	Governm ental position	High governm ental position	corporate finance manager	lecturer	consult ant	practi oner
I1	Y	y	Y	y					
I2								y	
I3		y	y		y	y			
I4							y		
I5	Y	y	y				y		
I6	Y	y					y		
I7		y					y	y	
I8		y	y					y	
I9					y		y	y	
I10		y					y		
I11	Y	y					y		
I12						y			
I13							y		
I14									y
I15	Y								
I16							y		
I17			y		y				
I18									
I19								y	y

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