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THE NEED FOR SOCIAL AND ENVIRONMENTAL ACCOUNTING STANDARD: CAN ISLAMIC COUNTRIES HAVE THE LEAD?

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Abstract

The aim of this article is to motivate the Arab scholars and accounting profession in general for the need to intervene on the area of regulating social and environmental accounting more deeply. It is no longer acceptable to ignore the area of social and environmental accounting while it is widely accepted in the developed world. It is not a parasite to our discipline instead it should be an integral part of accounting. We need action because cost of doing nothing is going to be higher. As there are many theoretical perspectives in dealing with this issue in the developed world, this article tries to focus on the Islamic view concerning social and environmental accounting. No single view can help in understanding research questions, only pluralism in perspectives can help us to understand better accounting phenomenon. This study through critical perspective points to the failure of conventional financial reporting to deal with environmental problems and argues that accountability from Islamic accounting perspective is more in alignment with the environment.

Keywords: Social and Environmental Accounting Standard, Islamic Countries, Accounting Profession

1. Introduction

The interest in social and environmental accounting has existed for the past three decades in western countries. However, Arab countries are suffering from lack of intensive research dealing with environmental and social issues (Eljayash *et al.* 2012). Historically, the prudence of western accountants has led to an opposition for admitting it as part of the orthodoxy of the subject. The recent rise in awareness of environmental problems has led to renewed interest of new ways about reporting accounting information for organizations and their interactions with society and environment. There was a perception that accounting is a neutral activity both within and outside the accounting profession. That accounting is fixed, objective, non-negotiable and it simply describes what is happening within organizations. The changes in accounting practices occur only because of changes in economic conditions in organizations and society at large (Gray, 1998). He states (p.2):

“Until fairly recently, any attempt to place “accounting” and the “environment” in the sentence was met with a response varying from puzzlement to outrage. As in many areas of social science, those who tried to introduce environmental issues into the mainstream were in danger of being misunderstood, ignored, or even vilified.”

New accounting researchers begin to concentrate on how accounting interacts with social, political and economic contexts in which it operates. As Bryer (2000, p.131) states, "To appreciate the social significance of accounting today we must study it in socio-historical contexts and understand its ideas and techniques as a products and producers of history."

By the emergence of critical accounting, it becomes possible to examine the social and political dimensions of accounting. Accounting practices and regulations revealed as a medium and outcome of the dominance of different interests. This dominance was blocked by the neutrality view of accounting. Accounting has the capacity to shape reality rather than reflecting it only. Accounting principles and standards are a result of political bargaining. Knowledge is a result of struggle between different power forces. It is important for academics to raise debate and challenge dominant traditional perspectives to reveal new areas of accounting instead of praising the conventional wisdom such as neutrality and objectivity of accounting information's (Willmott, 1990; Montagana, 1997). The critical school of accounting praises the emancipatory view of accounting by challenging the status quo and viewing it as a political tool to favor the interests of capital providers (Kamla, 2007). Afifuddin and Nabiha (2010, p.1122) state:

"Conventional accounting is capital market oriented towards the interests of capitalistic investors and interest based creditors ...human beings are rational and with their self interest and God's interest are seen to be independent. Humans are motivated by self interest, which are expressed through the quest for financial gain."

In recent years there has been increased society attention towards the identification of different approaches to deal more effectively with environmental issues. This debate has resulted in calls for industries to become more responsive and to manage its impact on the environment. Corporate management have developed environmental management systems and increasingly adopted environmental reporting within annual reports (Gray *et al.* 1995; Wilmshurst and Frost, 2000). Kamla (2007) pointed that voluntary disclosure of social disclosure is incorporated to improve companies' image and reputation rather than improving transparency or accountability. Corporate social responsibility is a mechanism to save companies and prevent dumping their stock prices and achieving financial benefits. Social reporting "is mobilized to service companies' business interests" (p.149). Gray *et al.* (1996) explained the social responsibility of organizations and argued that it depends on one's view of how organization and society interact. They presented different perspectives such as pristine capitalists, social ecologist, socialists and radical feminists. For example, the capitalists accept social responsibility only if it is in the corporation's or capital own interest and lead to greater economic efficiency as defined by markets. Companies strive towards profit growth and maximization of share holder's wealth. This is the dominant view in traditional accounting and finance and this view is considered "wholly untenable and highly undesirable" (p.57). As environmental protection and preserving the environment is one of the social responsibilities of organizations and society at large. They state (p.62):

"There are, of course, yet other points of view we have not, for example, considered religious points of view here. The range we have identified is probably sufficient for our purpose as it highlights the organization-society relationship is for more complex than we inclined to think of it. This complexity means that the roles we may envisage for accounting in general and social and environmental accounting in particular are far from simple."

The aim of this article is to create awareness among Arab accounting scholars on the need for the implementation of environmental and social accounting standard based on the Islamic view for the environment and social responsibility. It should be noted that other religious point of view is beyond the scope of this article. The remainder of this article proceeds as follows. The next section explains the motivation behind environmental accounting disclosure in general. The third section presents in brief the Islamic view of the environment. The forth explains how accountability in Islam can support the caring for the environment and what is

needed from a social and environmental accounting standard to highlight. The fifth section is a conclusion to the article.

2. Environmental Accounting Disclosure and Shift in Perspectives:

In general accounting literature reveals that annual reports has been the major communication medium and a public document that can be used to react by the public to a company. Despite some reports that undercover what is happening in corporations, it is still playing a pivotal role in decision making. It has been noted that the inclusion of voluntary information is used by managers to send signals to the public also to motivate readers to accept management's view of society. O'Donovan (2002, p.351) pointed to the benefits from disclosing environmental information.

“Corporate management identified a list of perceived benefits to the corporation in reporting environmental information to diverse groups of stakeholders The benefits included: aligning management's values with social values, preempting attacks from pressure groups; enhancing corporate reputation; providing opportunities to lead debates; securing endorsements; demonstrating strong management principles; and demonstrating social responsibilities Annual reports are used by management to respond to public pressure, especially in response to negative media reports.”

The need for disclosing environmental information is seen as a solution to the harm caused by economic activities to society. In the industrialized world accountants have begin to incorporate ecological issues and believe it is falling within their profession. The emphasis on regulation parallels with the changing view in accounting from merely facilitating decision making and technically oriented to critical view of accounting and it's constructive power (Bell and Lehman, 1999). The need for regulating environmental information dominated the ecological discourse. The source point for regulation may be the community or the state but the objective is one which is regulating environmental information (Everett and Neu, 2000). With the rise of awareness about environmental issues, accountants now accept that they need to understand and respond to environmental imperatives. Going back few years most accountants do not consider the environment related to their profession. In Australia, for example, one accountant was cited as saying that the environment is not a matter for the accounting profession. However, recently accounting research focuses on how accountants can improve and contain environmental information into a company's accounting reports. Rao *et al.* (2012) examines 2008 annual report of the largest 100 companies listed on the Australian Stock Exchange (ASX) to determine the amount of environmental reporting. Analysis found a significant positive relationship between the extent of environmental reporting and the proportions of independent and female directors on a board. The study shows that over 95% of companies had some level of environmental reporting. This is the trend in developed and western world. Unfortunately, it is only in the industrialized world that these issues have rapidly evolved (Bell and Lehman, 1999). Kamla (2007) examined social accounting reporting in the annual reports of 68 companies from nine Arab Middle East countries. She pointed to the low level of environmental disclosure by companies in the sample and most of the disclosure was carried out by oil and industrial companies and in her opinion "companies in the Arab world are not facing enough pressure to undertake environmental disclosure" (p.146). In the same vein, Eljayash *et al.* (2012) performed content analysis to assess quantity and quality of environmental disclosure in 174 annual reports of 58 national oil and gas companies in the Middle East and North Africa. Despite focusing on oil and gas companies, they found differences in disclosure between Arab countries and low level of disclosure compared to developed countries.

Many reasons are cited for the voluntary disclosure of environmental information in western countries such as stock market consideration, the need to reassure the public or governments or to alter their perceptions to reduce political costs (Roberts, 1991). Gray *et al.* (1996) pointed to the need for improvements in the information disclosure for environmental

information and market forces could not be relied upon to satisfy user needs. Bell and Lehman (1999, p.185) state:

“The level of reporting is clearly quite subjective. This can make it difficult for the accounting system to deal with. There are no objectively assessable criteria currently in place. Nonetheless, it would be fair to say that the failure to disclose certain information relating to the cost of environmental remediation could raise a question in an accountant’s mind about the extent to which relevant financial reports are true and fair without that information.”

This constructive role of accounting and the ability to change behavior is evident in Gordon (1998) study where he measured the impact of students to environmental issues taught to final year undergraduates students enrolled to accounting theory compulsory course. He measured their reactions before and after they deal with the topic. He found that it is possible to create changes among students behavior towards the environment.

As reasons for concerning about social and environmental issues are diverse, the next section is going to highlight the Islamic view of environment.

3. The Islamic View of the Environment

In the industrialized world, the environmental movements of the 1960s and 1970s were seen to be against modernity and economic gross. It was thought that economic development requires the use of more resources. The increasing consumption of natural resources was not welcomed by environmentalists. However, this situation changed dramatically by the 1980s and 1990s by the infusing of the idea of sustainable development in the discourse of social agents. Environmental sustainability is good for economic development and vice versa. It can be seen as win-win situation (Hajer, 1995). Environmental problems can be solved and economic objectives can be achieved. It is the responsibility of management to bring these two divergent objectives together. But problems occurred when industrialized countries are using double standards when dealing with environmental crises. Rich nations can transfer problems to poor nations. The fact that when our planet face serious problems it will not be a matter whether we are distinguishing between developed or less developed countries. The avalanche of environmental problems will pass everything in front of it without taking into consideration artificial boundaries between countries. Quis (2005, p.5) states:

“In a global perspective, it seems that the rich centers can have a sound environment on the expense of the peripheries, where the pollutant production is allocated and the natural resource is exploited, destroying both nature and traditional cultures. For instance, the new trend by wealthier nations to dump hazardous waste in developing countries for a small sum of money in compensation is an ironic example of how global environmental problems cannot be solved within the present economic system.”

She gives example of Shell Oil Company which practice with double views. The first one in rich countries in the west where it promotes itself as a company with huge environmental concerns and the other is evidenced in company’s activities in Nigeria which has destructed human and natural habitat. Another example to show the failure of the global political and economic enforcement is the refusal of the biggest economic and political power of the world (USA) to ratify the Kyoto protocol on climatic Change (Quis, 2005). In the light of environmental destruction which manifested at the problem of global warming, some countries such as Germany have decided that the problem is too serious to be left without actions. They have established target reductions for the main greenhouse gas. With increasing population and increasing pressure for economic growth, it is difficult to achieve such targets. Many secular and religious scholars have started to look into the underlying philosophical causes underlying man’s relation to the environment, the interaction between them as well his religion responsibility towards it (Atiya and Hussain, 2004). It has been stated that “moral and religious values will dominate the 21st century” (Ozdemir, 1998, p.1).

In general the primary basis of the Islamic view centered around God. Everything in the universe is created by God and sustained by Him. God is the ultimate reality. He is the preserver and protector. He is the owner of everything on earth and each thing he created is a sign and has meaning but it needs thinkers to understand the wisdom of what God creates (Bagader *et al.* 2006). The environment is central in Islam and all natural resources must be utilized with great responsibility. Even in the time of war, Muslims are commanded not to destroy or harm the environment. Ahmed and Gazdar (2009, p.51) pointed to a speech by Abu Baker who is the first Caliph of Islam when he is advising his military commanders before going to war:

“Do not drown nor burn date orchards. Do not hamstring livestock nor cut down fruit trees nor destroy churches. Do not kill children neither elders nor woman. You will find people who secluded themselves from society in monasteries. Leave them to their seclusion.”

God gives man trust and we are God's vicegerents on the earth. The earth and all what it contains belongs to God and God granted stewardship to man for managing and benefit from God's creations. Although, man is the creation as many things, he has superiority over the rest of God's creations. Only man undertook the responsibility to be the representative of God on earth (Atiya and Hussain, 2004). As noted “We did indeed offer the trust to the heavens and the earth and the mountains; but they refuse to undertake it, being afraid thereof. But man undertook it ...”? (Quran¹ 33:72).

As man has the trust of God and he is responsible over the property of God to use it for his benefit. Nature was created by God and it belongs to God. We should know that if we are destroying the environment then we are misusing his property and betray this trust. Man has high degree of freedom to take his responsibility and preserve the environment or to continue his destructive actions which harm nature. But he should know that he will be accountable for his actions. Ozdemir (1998, p.3) states:

“Islam insistently draws our nature to this sacred and spiritual dimension of nature. It teaches us too that we are created by God and that we shall return to Him in order to give account for our actions. This means that we are answerable for all that we do, both the good, and the evil. As God's vicegerent on earth, at the last judgment man will be called to be account for how he acted towards the trust, and how he treated it.”

According to the Islamic world view man is the powerful creature of God. If he spoil the order and harmony of the earth he will unbalanced the nature. Man must utilize resources for his benefit and not against the benefits of others. He should sustain the environment. It is a joint responsibility towards other creatures and towards future generations. Ozdemir (1998, p.5):

“One should not therefore be surprise at the Islamic view related to the environment, that everyone should remind each other to conserve and protect the earth. They should not hang back diffidently while the earth is being spoiled. They should attach the greatest importance to cleanliness and purity; physical and particularly moral and spiritual.”

The ecology system shows that the earth consists of different ecosystems and they are in balance. However the holy book of Muslims shows that man has a responsibility for conserving and developing the environment. World resources are limited and if we do not preserve it for future generation, environmental problems will deepen more and more.

To control our behavior, we should reveal what is hidden in our actions and here accounting can play a leading role. By creating certain visibility there is a chance for corrective actions. We need to measure the impact of our destruction to earth. It is not an option. We should carry our responsibilities and develop measures for sustaining the environment. As “Verily, all things have we created by measure” (Quran 54:49) and “We have produced therein

¹ *The Holy Text of Muslims*. English Translation, Cairo: Dar Al Shorouk.

everything in balance" (Quran 15:19). The developed measures should be based on the Islamic values which might be welcomed by the Islamic world. More details about social and environmental accounting measures are expressed in the following section.

4. Islamic Social and Environmental Accounting

The impact of culture on accounting practices has been a subject in accounting research for the last few decades. Differences in accounting practices are manifestations of nationally different social systems. Accounting systems are product of specific cultures (Hofstede, 1980; Gray, 1988; Perera, 1989). Hamid *et al.* (1993) argued that Islamic culture is different from other cultures. Islam has the capacity to influence the framework of accounting in the Islamic world. The prohibition of *Riba* (interest) and the obligation of *Zakah* (Islamic tax) are some points which influence the contents and presentation of financial statements according to the Islamic view. Some items in the conventional balance sheet do not represent real items from the Islamic point of view. For example, goodwill which is an intangible asset as it lacks physical substance is not subject to wealth measurement and has no significance in the Islamic accounting framework. Baydoun and Willett (1997) pointed that accounting measurement system under *Sharia* (Islamic law) is different from measurement system in western cultures. The difference is due to differences in social and cultural values in the Islamic world and western world. They state (p.1):

"Islamic accounting theory has the nature of prescription about how things should be done to satisfy Islamic objectives rather than description about how things are actually done in practice."

Conventional accounting and liberal economic system focus on the interest of capital providers. The aim is to measure financial performance of organizations as the most significant indicator of business success. So companies need to produce more, sell more and use more resources which are scarce to be better. This view inhabits environmental destruction. Human beings are the center of concentration and are able to express personal economic choice and they are self interest and economic actions of individuals produce maximum profits and economic growth through maximum efficient use of resources. Everyone in society consequently will be better achieving social welfare (Afifuddin and Nabiha, 2010). Ibrahim (2002, p.3) criticizes this economic view by stating that:

"Although conventional accounting seeks to dominate global accountancy, not everything is well with the invader. Conventional accounting has increasingly come under attack in its home ground because it adopting a narrow marginalist, utilitarian economic principles and the assumption of a pristine liberal economic democracy as the basis of society (Gray *et al.* 1996) Conventional accounting and accountants has also been responsible for the destruction of the environment and the promotion of consumer culture of financial greed."

Firoz and Ansari (2010) critically examined environmental hints and relevant paragraphs presented in International Financial Reporting Standards. Although they pointed to the increasing concern about environmental reporting, it still needed enhancing of scope and ways of measurement and presentation in financial reports. They believe in order to support creditability of environmental information "improvements in quality of environmental financial reporting are required" (p.111).

Sulaiman and Willet (2002) argued that from an Islamic view, God has given human beings custody over earth as well as the abilities to control and use natural resources for their benefits. They should hold in trust what belongs to God. The freedom for individual to use or abuse natural resources should be combined with a sense of responsibility towards others. The social responsibility in Islam is an obligation towards other creatures today and in the future. It should have a wider perspective in Islamic accounting model. The idea of social justice in Islam is not limited to disclosure of issues related to minorities or environment but the redistribution of income between social members is very important. This takes the form of *Zakat*. Issues related to interest and unfair trading practices while not considered as social issues from western

accounting perspective, they are important as they effect the well-being of Islamic society. Social welfare in society cannot be achieved if each user need is satisfied. They state (p.23):

The emphasis on well being of the community is paramount. To satisfy this religious and cultural perception, Islamic Corporate Reporting must have a wider focus than one which concentrates on the need of the traditional users of the accounts (such as the investors, creditors and share holders) ... disclosure practices should be guided by what is best for the society.

In the same vein, Lewis (2001) pointed to the importance of full disclosure and social accountability in Islam. The accountant in Islam is responsible to provide information which helps to protect and improve the welfare of society at large even if this information is against his company. Accountability in Islam requires every Muslim to watch his activities and make sure it in accordance with Islamic rules. Muslims are accountable to God in all their actions. God created nature and man is responsible for preserving it. Muslims are obliged to maintain balances in the environment and save it for future generations. Spoiling the earth is prohibited, as we are not fulfilling our duties towards our principle. Taking care of the environment will allow us to achieve our responsibility on earth. In Islam the accountant (*Muhtasib*) has a financial and social role to play. It is his responsibility to make sure that Islamic rules and community welfare are enforced and organizations activities including the preserving of the environment are maintained. The Muslim accountant is not responsible only to stock or stakeholders but also all his actions are accountable by God (Kamla, 2006). In this triangle of responsibilities and our actions are monitored , "whoever has done an atom's weight of good shall see it there, and whoever has done an atom's weight of evil shall see it there" (Quran 99:7-8). While the concept of accountability is broader from Islamic perspective, conventional accounting with the concern about capital providers and praising corporate social responsibility for business benefits and image is said to have a "narrow view of accountability, which only provides those who have formal authority over the organization the right to hold them account"(Afifuddin and Nabiha 2010, p.1123).

The contents of financial reports are different as Baydoun and Willett (2000) argued that conventional income statement which emphasis in profits and losses of organizations are providing misleading information from Islamic perspective. The focus on organization profits instead of organization contribution to society is too flawed. From their view it is necessary for financial statements to contain value added statement to show how companies are adding for the improvement of societies and the social benefits to the context in which they operate. Sulaiman and Willet (2002) state (p.26, emphasis added):

"With Islam's emphasis on safeguarding the welfare of the community, a more Islamic corporate reporting model is required to include information on corporate social responsibility and the environment. The argument that there is a need for greater awareness of the social impact of firm's activities in Islamic societies necessitates the detailed description of externalities and trading practices harmful to *Ummah*.

According to Islam, the *Ummah* (Islamic community) should know the effects of business organizations on society and whether the requirements of *Sharia* (Islamic Law) are fulfilled. Although elements of corporate social responsibility as known in the west include items such as "investment in community outreach, employee relations, creation and maintenance of employment, environmental responsibility, human rights and financial performance" (Jackson, 2003, p.34). It should be known that from the Islamic perspective some social performance indicators must be included in corporate reports which are specific to the Muslims community as indicated by Sulaiman and Willet (2002, p.29):

"Whether or not employees from the higher echelons in the company perform congregational prayers with lower and middle level managers, whether Muslim employees are allowed to perform their obligatory prayers during specific times of their working day and whether or not there is a proper place of worship for the employees."

Maali and Napier (2007) in their celebration of the Silver Jubilee of academic writing about Islamic social and environmental accounting research make an interesting comparison between the contents of the conceptual framework of accounting from an Islamic perspective and Western perspective. They argue that different points of differences and commonalities exist. For example, while western accounting model depends on historical cost as valuation method, the writers about Islamic model prefer the use of current values on the basis that *Zakah* (Islamic tax) computation requires current values. In case of periodicity of financial statements, the two models seem to reconcile. They state (p.6):

“The main objective for accounting in Islam is thus to fulfill accountability to God. This clearly differentiates the Islamic accounting model from that of the western model, where accountability to stakeholders such as owners is given priority ... Business and individuals have to abide the rulings of *Sharia* in all transactions they undertake. This includes avoiding borrowing or lending with interest, manufacturing alcohol, and gambling. Another objective of reporting is to show compliance with *Sharia*, which is regarded as equivalent to following God’s will.”

The Accounting and Auditing organization for Islamic Financial Institution (AAOIFI, hereafter) which is based in the Kingdom of Bahrain founded in 1990s with the aim to ensure that Islamic Financial Institutions are operating in accordance with *Sharia*. Some Islamic banking professionals have called for clearer accounting standards. They did so in the “hope of removing any possible taint of illicitness, as well as to bolster confidence in the emerging Islamic market sector” (Maurer, 2002, p.649). He argued (p.651) using that according to the Euromony reports the development in the Islamic banking sector may be hindered due to the lack of “uniform and consistent accounting and auditing standards and ... proper regulations”. The standardization of accounting and auditing practices are needed urgently.

The AAOIFI in establishing Islamic accounting standards took the approach of starting with the concepts and standards in western world and testing them against *Sharia* (Maali and Napier, 2007). On the contrary, Lewis (2001) argued for the need to establish accounting from objectives based on the norms of Islam and not to follow the approach developed by AAOIFI.

In his speech about the challenges facing Islamic financial service industry, AL-Sadah (2006), who is the Governor of the Bahrain Monetary Agency, pointed to the effort by AAOIFI in issuing 24 financial standards, 5 auditing standards, 4 governance standards, 17 Sharia standards and 2 codes of ethics. He praised the role played by the AAOIFI as a standard setter and their work for gaining credibility to the financial statements of Islamic institutions. The AAOIFI in a continuous process of development by 2012 Total of 84 standards were issued, 44 Shari’a standards, 26 accounting standards, 5 auditing standards, 7 governance standards, codes of ethics. In addition, new standards are being developed and existing standards reviewed.

The problems with the work of AAOIFI is that when it tries to formulate accounting standards it refers to existing accounting practices in Islamic banks while it should refer to agreed conceptual framework. It “wants to gain the support of Islamic banks in order to enforce its standards” Maali and Napier (2007, p.20). This point raises the idea of power forces and relations that lay beneath the issuing of standards and whether the AAOIFI is independent or not to formulate accounting standards according to *Sharia*. The connections between AAOIFI and Islamic banks may hinder their independence. Also with all the effort done by AAOIFI in issuing accounting standards nothing is related to social and environmental accounting areas. In the Islamic region, there is a marked rise in social and environmental problems. What is needed is to base accounting knowledge on agreed upon Islamic values instead of relying on western accounting standards which may not fit with the Islamic context. It is important to “construct an accounting knowledge that will create different values. So the failure can be reversed, or changed, the culture thus construct anew” (Maurer, 2002, p.662). It is necessary to have independent standard setting body. It can be formed from accounting academics and professionals who are capable and interested in the area of Islamic accounting. The aim is to build Islamic accounting standards based on clear objectives and conceptual framework. This

framework is driven by Islamic values. The standard setting body can be financed by Islamic countries. Sulaiman and Willet (2002, p.30): state

“An Islamic Corporate Report should not be concerned with social and political ideals of secular financial reporting nor with the political process that have become part of the game that multinational organizations play. Most important of all, an Islamic Corporate Report should be about how individual (and more specifically the accountant) discharges the task of social accountability before God.”

The objectives of Islamic accounting are different from conventional accounting. Nature is provided by God and Man accept responsibility over it. We are accountable in maintaining and preserving it according to Islamic rules. Accounting is the tool to show if we are fulfilling our duty. Accountability from Islamic accounting perspective is more in alignment with the environment. It is broader than conventional Western financial accounting.

The approach of the AAOIFI in establishing Islamic accounting standards took the approach of starting with the concepts and standards in Western world and testing them against *Sharia*. However, while this approach may succeed in some topics, this way may not be applicable in social and environmental issues. Most of the information presented in Western countries is voluntary and there is no agreed framework for presenting information. The motives behind presenting information are different between Western and Islamic world. We need a comprehensive Social and Environmental Accounting Standard. It can be offered by AAOIFI but by taking a different approach than it used when issuing current standards. This new standard can be the contribution of AAOIFI not only to Islamic Financial Institutions but also to the whole world. We can achieve multiple benefits: firstly, achieving our accountability towards God; secondly, protecting our mankind and preserving our environment; thirdly, having the lead in contributing to a controversial issue under scrutiny for a while with no action. We should be aware that doing nothing or little is not an option. Accounting is not only technical activity nor the objective of which is to measure financial performance and assessing the financial position of companies. For Muslims accounting can "play a very important role in enabling Muslims to fulfill this religious duty" (Napier 2007, p.10).

5. Conclusion

The motivation behind this article is the lack of social and environmental accounting standard in the world in general and in the Islamic countries in particular. Islam is not a religion with spiritual values only but it is a way of life. The problems of environmental degradation, social injustice and exploitation are deepened all around the world. The Islamic world is no exception. Our myopia is not going to solve these problems. Only tackling these problems to find solutions can help or “the future of our societies goodbye” Gray (2002, p.35).

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