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TRANSPARENCY REPORTING FRAMEWORK FOR ISLAMIC NON-PROFIT ORGANISATIONS

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ABSTRACT

Islamic non-profit organizations (INOs) are guided by Islamic principles, evolving from providing spiritual guidance to impactful social activities. To sustain their operations, INOs rely on funding from various sources, necessitating transparency for credibility. The "TRS 4 INOs" system is designed to help INOs report actions effectively to meet stakeholder needs. The system aligns with research objectives, focusing on assessing transparent reporting practices of Malaysian INOs and identifying web-based strategies for impression management. The study aims to address challenges faced by Muslim organizations post-9/11. Through two phases, the researchers will identify Malaysian INOs using regulatory agency databases and gather web disclosure strategies through interviews with Muslim organizations.

ARTICLE INFO

1.0 INTRODUCTION

Organizations that express trustworthiness are a subset of organizations that do not always align with their stated missions, guiding principles, or constituencies. Faith-based organizations have progressed from trying to improve social situations to pursuing more challenging goals (Ocjillo, Van Teijlingen & Hind, 2017). Organizations that have already demonstrated their trustworthiness in this endeavour have developed into a potent force for change in the sector rather than a source of gain. Despite the fact that every organization is not profitable, their desire to help the community suffers when they attempt to get donations from government agencies, non-profit organizations, and private individuals. As a result of this, organizations that value trust tend to place more emphasis on their willingness to go above and beyond for their customers since effective interpersonal communication can help them gain trust from potential buyers.

Research on impression management often centres on the importance of communication because managing impression require the use of linguistic resources (Merkl-Davies & Brennan, 2011). In the case of non-profit organizations, official websites and social media accounts forms their primary mode of communication.

Following the increase in Islamophobia after 9/11 and ongoing mainstream narratives accusing Muslim charities of sponsoring terrorism since then, impression management has been particularly difficult for Muslim faith-based groups (Marusek, 2018). Most accusations made against Muslim faith-based organizations come from Western media reports. In the Muslim world, there have, however, also been allegations made against Muslim religious institutions. For instance, the Bangladeshi government decided to outlaw three Muslim non-profit groups that assisted the displaced Rohingya people in 2017 on the grounds that they were complicit in terrorism and radicalization (Chowdhury, Wahab & Islam, 2019). Therefore, it is even more crucial for Muslim faith-based groups to put greater effort into impression management in order to be viewed favorably and secure funding for their efforts.

Even though impression management is still a hotly debated subject, most study on it has been conducted in the business world. Studies on non-profit organizations, like those by Conway, O'Keefa & Hrasky (2015) and Spear (2017), are rather rare. No studies have looked at the websites of Muslim faith-based organizations to yet in this area of scant research in order to understand their impression management practices as well as their dedication to information transparency. This gap is addressed by the suggested study.

2.0 LITERATURE REVIEW

Religious groups play a significant role in society by offering spiritual direction, assisting the local community, and supporting charity causes. Nevertheless, due to alleged shortcomings in transparency, accountability, and their ability to respond to outside forces, their management and financial practices frequently come under investigation. The goal of this literature study is to thoroughly examine a number of issues pertaining to the difficulties faced by religious organizations, such as their handling of outside pressures, governance procedures, social reporting, and the impact of religion on organizational behavior. The dynamics between institutions and stakeholders are significantly impacted by the requirement to uphold accountability, transparency, and effective operational procedures. This review of the literature explores the value of transparency within Islamic-oriented institutions and its implications for their supporters. It also discusses the difficulties of participation and financial accountability inside charitable organizations in Malaysia, transparent management of religious establishments such as mosques. The evaluation also looks at the accountability procedures used by waqf organizations and non-Muslim NGOs.

2.1 Transparency, Accountability, and Financial Management

Basri and Mirza Tabrani (2015) highlight to the fact that religious organizations frequently fall short of public standards when it comes to management and financial oversight. Questions about the use of finances and resources have been raised by concerns about transparency and accountability. This lack of transparency has been noted in the financial practices of religious organizations as well as in the claims evaluation of Takaful products (Raja Hisham et al., 2019) and waqf institutions (Hisham & Muwazir, 2022), where it is challenging to confirm the proper use of donated assets. Ahmet Sekreter (2013) underscores the multifaceted importance of transparency within Islamic financial institutions. Transparency is not merely a regulatory requirement; it is embedded within Islamic principles of justice and fairness. It fosters trust between institutions and clients, allowing for informed decisions. Transparent disclosure of financial practices, transactional procedures, and risk management strategies is integral to maintaining the ethical integrity of Islamic finance. Clients and savers rely on transparent information to ensure that their investments adhere to Sharia principles.

The study by M. Kamaruddin and Nathasa Mazna Ramli (2005) addresses the pressing matter of financial accountability within rapidly expanding philanthropic organizations in Malaysia. As these organizations experience growth, ensuring financial accountability becomes increasingly intricate. The study highlights the importance of robust financial governance to maintain donor trust and facilitate efficient resource allocation, ultimately serving the philanthropic objectives grounded in Islamic values.

2.2 Adaptation to External Pressures and Governance

External demands for religious organizations to find reliable finance and volunteer labor have been made. Goode (2016) investigates how religious organizations modify their hierarchical structure, social makeup, and mission in response to these forces. In this situation, it is important to consider how public ownership affects Islamic social reporting disclosure (Leniwati et al., 2023). The discussion of openness and accountability is furthered by the exploration of the influences of Islamic Social Reporting on corporate governance strength, media exposure, business growth, and profitability (Cahya et al., 2017). Sarah Mills (2009) addresses the perception of inadequate engagement of Muslims in established civil society entities in Western societies. This challenge stems from cultural, identity-related, and discriminatory factors. The study delves into the complexities Muslims encounter while integrating with broader civil society structures. By analyzing these issues, it underscores the necessity of inclusive environments that foster collaboration among diverse communities, promoting active participation and mutual understanding.

2.3 Social Reporting and Moral Legitimacy

Azmi, Non, and Ab. Aziz (2020) investigate the idea of social reporting within an Islamic context and pinpoint the moral legitimacy variables impacting it. This is consistent with the overarching topic of accountability and transparency in religious institutions. Yaghi (2009) also looks into how Islamic beliefs affect organizational behavior in American Muslim non-profit organizations, offering insights into how religious values influence operational methods. A. Yaghi's study (2009) probes the intricate interplay between religion and organizational behavior within American Muslim non-profit institutions. Religion, as a cornerstone of identity for Muslims, can shape their values and behavior in organizational settings. The study reveals how religious values impact decision-making processes, mission alignment, and collaboration patterns in these institutions. By examining the dynamics at play, it unveils how faith-based principles interweave with organizational conduct.

Saiful Muchlis, Anna Sutrisna Sukirman, and R. Ridwan (2019) examine the ramifications of deficient transparency in mosque financial reporting. The lack of detailed financial records can lead to mistrust and dissatisfaction among worshippers. The study underscores the necessity of accurate financial disclosure to cultivate a sense of community trust and transparency in mosque administration. Sofia Yasmin, Chaudhry Ghafran, and Roszaini Haniffa (2018) contribute by exploring accountability practices within Muslim NGOs. The study uncovers the de facto accountability processes in these organizations, shedding light on how they manage stakeholder expectations while fulfilling their missions. Furthermore, Rochania Ayu Yunanda (2016) emphasizes the imperative for accountability in waqf organizations, underlining that public trust in these entities hinges on transparent management and responsible resource allocation.

2.4 Application of Islamic Principles in Management

Hossain (2013) examines the use of Islamic principles in managing organizations, evaluating whether executives of particular institutions uphold these principles and their effects on organizational growth. As organizations may use Islamic ideas to handle difficulties, this subject interacts with the conversation on adapting to external influences. Previous studies by Absdulsamad Alazzani, Wan Nordin Wan-Hussin, and M. Jones (2019) investigates the correlation between having a Muslim CEO and corporate social responsibility (CSR) disclosure in Malaysian firms. By examining how the religious identity of a CEO influences CSR practices, the study provides insights into the complex interplay between religious values and business decisions.

3. CONCLUSION

This comprehensive literature review underscores the paramount importance of transparency, accountability, and organizational dynamics within various aspects of Islamic institutions and organizations. From financial institutions to non-profits, mosques, NGOs, and waqf organizations, these principles underpin ethical practices, community trust, and effective governance. By analyzing these themes collectively, this conceptual paper advances our understanding of the interconnectedness between Islamic values, organizational behavior, and societal engagement.

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