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Islamic accounting, neo-imperialism and identity staging: The Accounting and Auditing Organization for Islamic Financial Institutions

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ABSTRACT

This study locates Islamic accounting within the wider context of globalisation and imperialism. It elaborates on the role played by AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions) in sustaining the imperialism-accounting nexus in key Islamic finance markets. Building on the "collaborative theory of imperialism", we specifically highlight the role of internal collaborators associated with AAOIFI like Islamic Financial Institutions (IFIs), regulatory bodies and Muslim elites, including *ulama* (Sharia scholars), in the process of aligning AAOIFI with the international accounting harmonisation (IAH) project. Relatedly, we expound on tensions faced by AAOIFI as it attempts to integrate into the IAH project but meanwhile retain its Islamic character and appeal to the Muslim populace. Here, we demonstrate how AAOIFI, like IFIs, engages in an "identity staging" exercise to appear Islamic, while retaining and protecting the interests of Muslim and western elites through the continued support of the accounting-imperialism nexus.

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1. Introduction

Critical accounting research calls for more in-depth exploration vis-à-vis the continuities of imperialism in shaping accounting standards, practices and professions globally and for more consideration of the global success of the Anglo-American project[1] of international accounting harmonisation (IAH) under International Accounting Standards and International Financial Reporting Standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) (Arnold, 2005; Suzuki, 2007). Specifically, more critical attention is called for the types of interplay between local and external interests, especially the role of local actors/collaborators in sustaining the accounting-imperialism nexus as well as forms of resisting it (Annisette, 2000; Annisette & Neu, 2004; Bakre, 2014; Boussebaa, 2015; Davie, 2000). We respond to these calls by focusing on the specific ways actors associated with the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) contribute to sustaining the imperialism-accounting nexus in the process of developing "global" Islamic accounting thought and standards. We employ the "collaborative theory of imperialism" to explicate how

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[1] Throughout this paper reference to the "Anglo-American" logic/project coincides with understanding provided by Arnold (2005, 2012) as well as other critical accounting studies referenced in our paper.

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Nomenclature

Acronyms

AAOIFI	Accounting and Auditing Organization for Islamic Financial Institutions
AAA	Accounting and Auditing Association
AASB	Accounting and Auditing Standards Board
ACCA	Association of Chartered Certified Accountants
AICPA	American Institute of Certified Public Accountants
AOSSG	Asian-Oceanian Standard Setters Group
CIMA	Chartered Institute of Management Accountants
CSR	Corporate Social Responsibility
DFSA	Dubai Financial Services Authority
FAOIBFI	Financial Accounting Organization for Islamic Banks and Financial Institutions
FAS	Financial Accounting Standards
GAAP	Generally Accepted Accounting Principles
IAH	International accounting harmonisation
IAI	Indonesian Institute of Accountants
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICAA	Institute of Chartered Accountants in Australia
ICAEW	Institute of Chartered Accountants in England and Wales
ICAI	Institute of Chartered Accountants of India
ICAJ	Institute of Chartered Accountants of Jamaica
ICAP	Institute of Chartered Accountants of Pakistan
ICATT	Institute of Chartered Accountants of Trinidad and Tobago
IDB	Islamic Development Bank
IFAC	International Federation of Accountants
IFB	Islamic finance and banking
IFIs	Islamic Financial Institutions
IFKC	Islamic Finance Knowledge Center
IFN	Islamic Finance News
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IOSCO	International Organisation of Securities Commission
ISRA	International Shari'a Research Academy
KSA	Kingdom of Saudi Arabia
MASB	Malaysian Accounting Standards Board
MENA	Middle East and North Africa
MIDF	Malaysian Industrial Development Finance
OIC	Organisation of Islamic Cooperation
PLS	Profit and Loss sharing
PwC	PricewaterhouseCoopers
SB	Shari'a Board
SOCPA	Saudi Organization for Certified Public Accountants
SSB	Shari'a Supervisory Board
UAE	United Arab Emirates
UAECA	UAE Chartered Accountancy
UK	United Kingdom
UN	United Nations
US	United States
WB	World Bank
WTO	World Trade Organization

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local/Muslim elites' interests coincided with those of global capitalists' interests in aligning AAOIFI's standards with the IAH project under IFRSs.[2] Meanwhile, local actors face a dilemma as the success of AAOIFI and the Islamic financial institutions (IFIs) it serves depends on their ability to convince their Muslim customers and constituents of their unique and differentiated Islamic identity (El-Gamal, 2006; Kuran, 2006). We therefore elaborate on AAOIFI and IFIs (its main founders/ funders) practices and rhetoric in shaping/staging their image as both Islamic as well as global, modern and market-orientated.

Studies that focused on the imperial-accounting nexus in contemporary contexts have established that "the globalisation of the accounting profession has been bound up with imperialism" (Boussebaa, 2015, p. 1218). They revealed the role of external actors in imposing the Anglo-American logic on postcolonial countries and demonstrated how accounting is often positioned by external actors to permit imperial powers to dominate distant territories and inhabitants. These studies expounded particularly on the way Anglo-American accounting associations like the British Association of Chartered Certified Accountants (ACCA); Institute of Chartered Accountants in England and Wales (ICAEW); Chartered Institute of Management Accountants (CIMA) and American Institute of Certified Public Accountants (AICPA) act as "imperial bodies", even after independence, to maintain informal imperialism as they lay-down the groundwork for the rapid IAH processes and contribute to shaping institutions of accounting globally through the promotion of IFRSs (Annisette, 2000; Annisette & Neu, 2004; Bakre, 2014; Botzem, 2008; Gallhofer, Haslam, & Kamla, 2011; Graham & Annisette, 2012; Poullaos, 2016; Yapa, Jacobs, & Huot, 2016). The literature also revealed how other external actors, like transnational accounting firms (the Big 4), play a key role in sustaining the "informal empire" (Annisette, 2010; Bakre, 2014; Botzem & Quack, 2009; Boussebaa, 2015; Durocher, Bujaki, & Brouard, 2016; Gallhofer & Haslam, 2007; Kamla, Gallhofer, & Haslam, 2012). Similarly, transnational organisations, including United Nations (UN), International Organisation of Securities Commission (IOSCO), Asian-Oceanian Standard-Setters Group (AOSSG), World Bank (WB), International Monetary Fund (IMF) and World Trade Organization (WTO), International Federation of Accountants (IFAC) play a key role as they promote or impose narrow capitalistic goals on non-western contexts. They further the IAH rhetoric and diffuse it globally as a precondition to better efficient capital markets (Annisette, 2004; Arnold, 2005, 2012; Botzem, 2008; Caramanis, 2002; Gallhofer & Haslam, 2006; Gallhofer et al., 2011; Kamla et al., 2012; Lehman, 2005).

In the above context the literature has established the prominence of repeated rhetoric in sustaining the "imperialism without empire" project, where the major success of IASB in achieving convergence of financial accounting regulations in more than 100 countries is significantly facilitated by rhetorical terms implying "positive epistemic virtue without actually referring to empirical impacts on public welfare". These terms include "Fair Value" and "standards", "international transparency", "international comparability" and "efficiency of financial markets" (Biondi & Suzuki, 2007, p. 589; Gallhofer & Haslam, 2007). Such rhetoric supporting capital's interests allows the Anglo-American logic of IAH and institutions to shape the practices of modern economics and corporate governance globally (Botzem & Quack, 2009; Suzuki, 2007). As the logic becomes hegemonic in the spheres of accounting practices and regulation, it amounts to a form of "intellectual imperialism" shaping accounting thought and practices globally (Kamla, 2007).

Despite increased understandings of the working of the imperialism-accounting nexus in the context of globalisation, there remains a significant lacuna vis-à-vis the conceptualisation of internal collaborators/elites' role in supporting and sustaining neo-imperialism. Few studies explored these dynamics building on the "collaborative theory of imperialism" advanced first by Gallagher and Robinson (1953) (cf. Annisette, 2000, 2010; Davie, 2000, 2005). They often concentrated on a single-country case during or immediately after independence elaborating mainly on how professional and State elites sustain or challenge colonial/imperial control through accounting processes and qualifications. Annisette (2000) highlighted how local actors/collaborators associated with the Institute of Chartered Accountants of Trinidad and Tobago (ICATT), which interests aligned with the interests of international capitalists and the ACCA, facilitated the power-knowledge transfer required for sustaining imperialism after independence. Annisette (2010) extends on Annisette (2000) seminal work grounded in Gallagher and Robinson (1953) theory of collaboration by elaborating on another local collaborator (the practicing firms). The paper demonstrates the role of the "practice link" in the maintenance of Empire even after independence in Trinidad and Tobago (T&T). It conceptualises the practice link between local branches of British accounting firms and multinational accounting firms, showing how local branches with their local elite practitioners willingly incorporated into multinational firms perceiving "highly valued accountancy knowledge products centred around standardization" (Annisette, 2010, p. 187). The power-knowledge consequences of this practice link relationships is evident in the role of multinational firms in usurping the traditional role of the university as "producer and diffuser of professionally relevant . . . accountancy knowledge" in T&T (p. 189). In Fiji, Davie (2000) elaborated on similar role of local accountants' elites. In her (2005) study, she went further to demonstrate how lack of challenge by the Fijian Native Authority's elites to British colonial policies and use of accounting measure to marginalise the local population, allowed for sustaining British indirect colonial rule there, denying locals their citizenship rights to own land.

The aforementioned studies have been useful in conceptualising the vital role of local elite collaborators' like accounting professionals and the State in facilitating the European imperial policy through accounting even after independence (see also Yapa et al., 2016). However, significant gaps remain in our understandings vis-à-vis the varieties of responses to the global hegemony of the Anglo-American accounting logic today and new ways that collaboration between internal and external

[2] A list of acronyms used in the paper is provided on the last page of this article.

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actors manifests to sustain the accounting-imperialism nexus. Therefore, we aim in this paper to enable better understanding of the workings of the "collaborative theory of imperialism" and the accounting-imperialism nexus in a context of an increasingly integrated world of global political and economic markets, where postcolonial economies "bargain" with their previous and new imperial "big brothers" for access. Here we show how (i) "intellectual hegemony" (Annisette, 2004) of the IAH logic plays a significant role in maintaining collaboration between internal and external actors; hindering the development of indigenous alternatives and sustaining the accounting-imperialism nexus in the new global order; and we (ii) elaborate on how new groups of local elites are emerging (like bankers and religious scholars) in addition to accounting professionals and the State, competing for global influence through accounting.

The case of AAOIFI provides fascinating and significant contribution here. Unlike cases in previous studies, AAOIFI is not the result of a single-country effort to develop accounting standards suitable for its local environment. Indeed like IASB, AAOIFI is a transnational regulatory body emerged by taking advantage of possible modern communication and cooperation networks between Muslims in East and West. It is the only modern-day accounting regulatory body to emerge outside the Anglo-American sphere with the purpose of developing "global" accounting standards and thought separate from the mandate of IASB. Despite that AAOIFI limits its focus to IFIs, its standards aim to facilitate global standardisation under Islamic Shari'a. It's emergence, therefore, could be considered a challenge to rhetorical claims that IAH under IFRSs is the only possible option for *all*. Indeed, early elaborations by its founder Refaat Karim proclaim that AAOIFI was established to counter the "hegemonic tone of standardisation" under IAS (Karim, 2001; see also Ibrahim, 2007; Ibrahim & Yaha, 2005; Vinnicombe & Park, 2007). AAOIFI is also unique in its challenge to secular/conventional thought as it aims to link accounting standards and objectives to religious morality. From an Islamic theoretical perspective, accounting should build on Islamic principles to serve broader social roles, provide holistic, multidisciplinary and religious perspectives of organisations. Central Islamic concepts like *Tawheed* (unity); *Khilafa* (stewardship); *Umma* (community principles); *Hisba* (social accountability) and the holistic approach to life and nature are often identified as pillars for developing an Islamic accounting world-view (Kamla, Gallhofer, & Haslam, 2006; Lewis, 2001; Tinker, 2004). The purpose of accounting under Islamic principles should lead to the fulfilment of obligations to *Allah*, society, the environment, the self and the achievement of *al-adl* (socio-economic justice) and *al-falah* (success in this world and hereafter) (Kamla, 2009; Mukhlisin, 2016). Therefore, Islamic accounting is theoretically contrasted with the conventional/Anglo-American logic of accounting as an accounting that is based on the social justice and accountability framework as opposed to decision-usefulness to serve capital markets (Ibrahim, 2007; Kamla, 2009; Lewis, 2001; Vinnicombe & Park, 2007). A conclusion of these conceptualisations is that conventional accounting is inappropriate for IFIs because it is contradictory to Islamic teachings, irrelevant to Islamic accounting objectives, and insufficient in focusing on Islamic socio-economic goals (Hamid, Craig, & Clarke, 1993). Such theoretical underpinning gave way to an exceptional feature of AAOIFI where Shari'a scholars (*ulama*) play a significant role in the development of Islamic accounting standards and thought. Despite these unique features of AAOIFI, allowing it to claim an indigenous Islamic alternative to the Anglo-American logic, AAOIFI has opted to embrace the Anglo-American IAH logic, providing little or no real intellectual or practical alternative (Kamla, 2009; Maurer, 2002). In this context, we explore the following: What role do AAOIFI and actors associated with it play in sustaining the accounting-imperialism nexus? What were the competing interests of internal actors, especially IFIs, key Islamic finance markets' regulatory bodies and Shari'a scholars that made them embrace IAH and IFRSs? How do AAOIFI and actors associated with it reconcile their identity as both capitalist and unique providers of Islamic thought, standards and products?

2. Data sources and methods

In an attempt to address the above questions we identify discourses, forces and actors that shape AAOIFI's direction and carry out extensive search and analysis of the literature, discussion documents and Web sources. Search for primary sources (*see the list of primary sources in the bibliography*[3]) began from AAOIFI's website, publications and conceptual framework. We analysed these texts for AAOIFI's history, objectives and functioning, its boards' composition, identification of collaborations and stakeholders as well as indication of how it portrays its identity as an Islamic and modern accounting standards' setter. We also searched the web more widely for speeches, press-releases, news, documents and reports published that are linked to AAOIFI and its role. From there, in conjunction with extensive literature review, we were able to identify key internal actors and analyse their discourses. We identified IFIs (funders, founders and dominant board members) as key internal actors. We searched their annual reports, websites, press releases and their representatives' statements related to AAOIFI and IAH. We also identified the largest Islamic finance markets and concentrated on their regulatory responses to Islamic finance and banking (IFB), especially the three largest markets: KSA, (31.7% share of total Islamic assets) Malaysia (16.70%) and UAE (14.60%) (Weforum, 2015). We identified Muslim elites working with western accounting firms and religious actors, like Shari'a Board members, analysed their reports, speeches and press releases. Our analysis and evidence, therefore, examine how these actors' influenced the direction of AAOIFI through their discourses. Here sources like ICAEW Library and Information Service, Deloitte's IAS Plus (a dedicated section on Islamic accounting resources), AOSSG's Islamic Finance Working Group, Reuters, Islamic Banker, and Islamic Finance News (IFN) were particularly useful in providing direct and

[3] Our primary sources include a total of 43 documents, which include 15 documents on cross-country (MENA/South-East Asia) analysis, eight from AAOIFI, seven from UAE, five from Western professional bodies, four from Malaysia, two from KSA, and one each from Qatar and UK.

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indirect (through cross-links) references to relevant materials. We also sought sources like commentary, conferences, and published reports of Islamic banking professionals and experts who "constitute the global network mainly in the west" (Maurer, 2002, p. 648). We also reviewed existing literature on this topic to "understand the sources of current criticism and to ascertain what lessons can be learned from the past for future developments" (Botzem & Quack, 2009, p. 989). To address data reliability of Web sources, both researchers visited the websites more than once to ensure that the data is credible at the time of analysis.

As mentioned earlier, our theoretical framing and mode of analysis is informed by the "collaborative theory of imperialism" linked to the imperial-accounting nexus. The framework is useful in understanding how contemporary globalisation, while might facilitate resistance; also facilitates the working of "informal empire" through IAH's rhetoric. This approach allows us to organise the study as follows: In Section 4 we map the political-economy of the Islamic world that led to the rise of IFB, IFIs and AAOIFI. This mapping allows an understanding of the "coincidence of interests" between internal and external actors. In Section 5 we provide a backdrop to the continuity of the accounting-imperialism nexus in key Islamic finance markets. Next in Section 6, we examine how AAOIFI stages its identity as both Islamic as well as a modern, global and market-orientated accounting-standards-setter. Section 7 explains the roles of internal actors in shaping the direction of AAOIFI and sustaining the accounting-imperialism nexus. Section eight provides summary and conclusion.

3. The collaborative theory of imperialism and the accounting-imperialism nexus

Gallagher and Robinson (1953) excentric view of imperialism, that was later expounded by Mommsen (1986); Robinson (1972, 1986) and Wesseling (1986), enhanced understanding vis-à-vis the continuity of imperialism and notions of formal and informal imperialism for sustaining control and hegemony in the colonies or post-colonies. The theory redefined imperialism to include the "various collaborative systems", whether enforced or voluntary, between the local/indigenous elites and the European colonialists by playing a mediating role between the core and periphery interests (Mommsen, 1986; Robinson, 1986). This collaborative conceptualisation of imperialism has reformed our understanding of the interplay between internal and external actors, including "a struggle between big and little brothers, of asymmetry of power and of changing terms of collaboration" (Wesseling, 1986, p. 9). It highlighted the indispensible role that the assistance and collaboration of indigenous elites played in sustaining imperialism and neo-imperialism (Mommsen, 1986).

In the post-colonial period, more often than not, the new independent nation-states remained in the western political camp (Mommsen, 1986). The new role of the United States (US) has largely replaced classical imperialism with the new world order, where US business interests, capital investments and international banking (in addition to US military domination) are important mechanisms in the advancement of neo-imperialism (Madgdoff, 1972). Here, integral to the understanding of neo-imperialism is an appreciation of its links to the logic of international capital expansion, which while appearing global, remains supported by European (mainly Anglo-American-imperial States). It chiefly serves their interests through facilitating transfer of knowledge and practices from "developed" to "transition" economies, preserving and strengthening former colonial and imperialistic relations. Here, the "collaborative theory of colonialism" is expanded and understood in a more integrated world of international economic and political markets, as comparatively weak, newly independent countries still need to cooperate and bargain with the "big brother" for economic development (Robinson, 1986). New bargains are made with the local elites, who are often western educated and "acculturated" in western political and economic positions (Robinson, 1986).

The collaborative model is unstable as the indigenous population often undermines the local elites as resentment to imperialist control and influence grow. The often westernised elites are perceived to have direct interests in serving the needs of the metropolitan country contrasting their interests (Mommsen, 1986). This situation compel local collaborators to attempt to "square" their external, "modern" interests with "traditional" functions in the indigenous society (Robinson, 1972, p. 122). Their success in doing so is key to sustaining imperialism. After independence, the new modern elites that are managing the local, ethnic and religious interests, need to align these interests with their roles as development agents in the new economy (Robinson, 1972). The educational system in the post-colonies, in addition to social and economic structures, is instrumental in maintaining the new elites' links to the west. Cultural imperialism is, thus, significant for maintaining and sustaining imperialism (Mommsen, 1986).

The "collaborative theory of imperialism" has been suitably incorporated in the accounting-imperialism interrelationship literature. It has been useful in understanding the workings of nineteenth and twentieth century imperialism in shaping accounting practices and regulations in the colonies and post-colonies (cf. Annisette, 2000, 2010; Davie, 2000, 2005). The theory, however, remains under conceptualised re modern day contexts, where the Anglo-American logic of accounting seems to dominate accounting practices and thought globally without significant resistance in the postcolonies (Kamla, 2007). The triumph of IAH under IFRSs logic is accompanied and facilitated by intellectual, often unchallenged, rhetoric related to benefits of standardised and commonly understood financial reporting standards (Durocher et al., 2016). Under this logic a culture of calculation, positivism and control integral to Western modernity successfully displaces different world-views that might be promoted by other cultures (Biondi & Suzuki, 2007; Botzem, 2008; Gallhofer & Haslam, 2006, 2007; Gallhofer et al., 2011; Lehman, 2005; Vinnicombe & Park, 2007). The dominance of the IAH rhetoric means that efforts of national or local accounting standards in the post-colonies are ruled out as the capitalist global order gives postcolonial countries seeking foreign investments little accounting policies' choices beyond adopting or adapting to the Anglo-American IAH logic (Annisette, 2004; Arnold, 2012; Gallhofer et al., 2011; Kamla, 2007). Here, IASB's IAS/IFRS emerge as the most

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powerful regime to support IAH, representing Anglo-American private interests globally (Botzem & Quack, 2009; Suzuki, 2007). Such hegemony related to the logic of IAH overlooks the undesirable impact on communities and the environment and disregard to "local requirements of companies, industries, or specific stakeholder groups" (Botzem, 2008, p. 45; Durocher et al., 2016; Gallhofer & Haslam, 2007; Lehman, 2005).

Thus, external/metropolitan actors represented mainly by Anglo-American institutions contribute to advancing the interests of capital, imperial states and their own, through the reproduction of the Anglo-American accounting model globally, ensuring the sustainability of informal imperialism economically and intellectually (Annisette, 2010; Bakre, 2014; Boussebaa, 2015; Neu, 2000). Here, indigenous collaborators at different levels act as mediators between external interests and local politico-economic developments. They are key to the working of neo-imperialism without the direct colonial rule as they perform local managerial functions guaranteeing that public policies are supportive of the interests of capital, international business and international organisations.

In this modern context of imperialism, the Big 4 are crucial producers of local elite collaborators. Local accountants often aspire to start their careers in Big 4 firms, as they are perceived as a source of social status and excellent training opportunities. Local accountants trained in the Big 4 are schooled in the Anglo-American model, making them key to continued collaboration in contemporary imperialism (Annisette, 2010; Boussebaa, 2015; Gallhofer et al., 2011; Kamla, 2007; Yapa et al., 2016). In addition to the Big 4 and other western institutions' trainees and staff, local collaborators include local businesspeople; government and regulatory bodies' personnel, where the "coincidence of interest" emerge between them and external actors (Annisette, 2000; Gallhofer et al., 2011). This group of elite collaborators defends their positions by affirming the long-standing assimilation of western capitalist cultures, including in accounting, into the local one. They are in charge of reinforcing Anglo-American standards through the adoption of IFRSs and reinforcing professional dependencies in these countries (Annisette, 2000; Bakre, 2014; Boussebaa, 2015; Gallhofer et al., 2011; Kamla et al., 2012).

Not all local actors are collaborators. Resistance and identity conflicts emerge in postcolonial societies, where a struggle between defenders and challengers to the colonial system in all aspects of society transpires (Boussebaa, 2015; Gallhofer et al., 2011). In accountancy, conflicts emerge on whether, for instance, to keep and enforce the status quo of western professional and regulatory models or indigenise them (Annisette, 2000; Bakre, 2014). Realising they do not have a voice in IAH processes, postcolonial societies might seek alternatives that are more compatible with their broader social interests, taking advantage of changes in communication technology (Gallhofer & Haslam, 2006; Gallhofer et al., 2011). Despite these potentials for resistance, the literature often reveals how "national accountants bourgeoisie" (Yapa et al., 2016, p. 406) construct a barrier to revolutionary change as their interests are linked with Western institutions, hindering the development of indigenous professional bodies or practices (Annisette, 2000; Bakre, 2014).

Establishing the dynamics and workings of collaboration and resistance of these internal and external actors in the case of AAOIFI requires an understanding of the political-economy in the Muslim world leading to the establishment of AAOIFI and Islamic finance more generally. In what follows we deploy the terms "Sharia arbitrage" and "identity staging" to illustrate the way that AAOIFI, as the case with IFB, negotiate contradictions between appealing to the Muslim populace, while integrating efficiently into the IAH project. Specifically, "Shari'a arbitrage" refers to profit-seeking financiers employing jurists/ulama and lawyers "to synthesize ostensibly forbidden conventional financial practices that transfer credit and risk" (El-Gamal, 2005, p. 11); whereas "identity staging" refers to AAOIFI and IFB employing symbolic depictions, Arabic terminology and textual messages to confirm an Islamic identity, while offering near-identical services to conventional counterparts (Khan, 2010; Kuran, 2006).

4. The rise of Islamic finance and banking (IFB): Muslim elites, Islamic identity and western alliances

Western-style finance and banking only became commonly practiced in the Islamic world during the beginning of the 19th Century, mainly driven by external forces linked to western imperialism. This meant that many Muslims perceive western-style banking, along with elite governmental officials and businessmen, as facilitators of imperialism and instruments of "exploitation like other colonial institutions" (El-Gamal, 2003; Pollard & Samers, 2013, p. 713). They also perceive that interest-bearing banks are in conflict with their Islamic identity and classical Islamic jurisprudence (El-Gamal, 2005, 2006). Large numbers of Muslims, therefore, yearn for an interest-free banking model and call for an alternative system of economics and governance based on Islam that departs from the "secular" Anglo-American model (Kuran, 2006). A significant aspect of the rise of IFB, therefore, is related to creating or preserving an Islamic identity in the context neo-imperialism and socio-economic changes embedded in modernisation and globalisation (Kuran, 1997; Pepinsky, 2013).

Indeed, IFB seeds began in anticolonial modernist movements that emerged especially in the Indian subcontinent after the partition. The vision of the Indian Muslim intellectuals was to create a uniquely "modern" Islam that would challenge western hegemony but equally meet the needs of modern society, staying meanwhile true to the spirit of Islamic principles related to redistribution of wealth, pay zakat (alms), and counter the injustice in interest-bearing economy (Kuran, 1997; Maurer, 2002). This vision was boosted by the oil boom of the 1970s (Pepinsky, 2013), when many oil-rich Muslim countries' governments supported the rise of IFB as they perceived it to appease the disenchantment by many Muslims with global finance and unpopular US policies in the region as well as with elites' alliance with western policies. Thus, in facilitating the expansion of IFB, Muslim States perceived an opportunity to appear supportive of Islamic causes, while remaining committed to capitalism and liberalism (El-Gamal & Jaffe, 2010; Kuran, 2006).

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Such high level interest in IFB initiatives eventually attracted a new creed of Muslim capitalists and financiers who sensed major new opportunities. This group, instead of building on Muslim intellectuals' debates, sought close alliance with Shari'a scholars (*ulama*) who were willing to work with them on the Shari'a boards of Islamic banks (Kahf, 2004). The new Muslim capitalists realised that traditional *ulama*, unlike Muslim intellectuals, have close and daily contacts with the Muslim populous, especially with "businessmen with small- and medium- sized firms, and middle-income earners, from whom the clientele of Islamic banks is to be derived" (Kahf, 2004, p. 23). From the *ulama*'s perspective, the alliance boosted their position in Muslim societies, where for so long they had been side-lined politically and economically. Indeed, some *ulama* reached the status of celebrities with new sources of income, media attention, speaking at conferences, holding executive positions in banks and other regulatory private and governmental institutions (El-Gamal, 2006; Kahf, 2004; Kuran, 2006; Warde, 2010). Shari'a Supervisory Boards (SSBs) became an integral part of IFIs character responsible for developing, reviewing and supervising financial products "to ensure that they abide by *Shari'a* requirements" (Anderson, 2010, p. 239).

The alliance between the "bourgeois" bankers and the *ulama* was an important aspect of creating the Islamic identity of these new banks. The *ulama* are crucial to the legitimacy of Islamic banks as they convince the religious public to engage with them. This was particularly significant considering the socio-economic and political environment mentioned above where the public is largely apprehensive towards the entire banking sector as well as the political and economic elites in their countries (Kahf, 2004). Indeed, the *ulama* were instrumental in attracting new groups of clientele, who never used banking facilities because they did not want to deal with interest. They also attracted clients of conventional banks who are willing to switch to Islamic banks if they are convinced these banks are Islamic (Kahf, 2004). The *ulama*, thus, became the "buffer" between western-style bankers and their Muslim constituents, providing the image and vocabulary to support such an image (Kahf, 2004). Their attraction, unlike western-educated elite professional bankers, lie in their specialised knowledge of the Quran and Islamic jurisprudence mainly based on traditional Islamic schools. They emerged as the new group of unique elites in IFB that mediate between global capitalism and religious populace in the Muslim world (Pollard & Samers, 2013).

Other alliances also strengthened through IFB. Muslim governments and elite Muslim bankers committed to capitalism and liberalism made sure to link Islamic finance to global capitalism. The establishment of the Islamic Development Banks (IDB), generously funded by Saudi Arabia (KSA) and supported by the US was an instrument to guarantee such links where the WB engaged with IDB to enhance and promote Islamic finance products globally (El-Gamal & Jaffe, 2010; Kuran, 2006). Subsequently, various alliances between Muslim and Western elites appeared where IFB created significant opportunities for Muslim businessmen and scholars who cooperated with western legal and financial experts to expand Islamic finance (El-Gamal, 2006; Kamla, 2009). Further, sensing an opportunity to access the finances of millions of Muslims world-wide, combined with a realisation that IFB ideologically does not pose any challenge to conventional banking, multinational/western banks like HSBC, Citigroup, Chase Manhattan, Deutsche Bank and USB began offering what is called "Islamic windows". This confirmed the alliance between bourgeoisie Muslim bankers and regulators with multinational and conventional banks. Indeed, many observe that large multinational banks, Western lawyers and bankers emerged as biggest beneficiaries from the rise of IFB (El-Gamal, 2006; Henry, 2009; Kuran, 2006; Pollard & Samers, 2007).

Western governments and institutions, which often receive any attempt by Muslims to organise their affairs according to Islam with suspicion, enthusiastically welcomed IFB. The UK Government, for instance, declared its intention to become a hub for Islamic finance outside the Islamic world. It became the first Western country to issue a £200 m worth of *Sukuk* (Islamic bonds) in 2013 (Wigglesworth, 2014). The US and UK governments led the way, along with KSA, in funding conferences and think-tanks to develop Islamic finance thought, regulation and practices. Indeed, the smooth integration of IFB in the global economy is mainly due to the influential intellectual efforts that came from western-based institutions and do not substantially contradict the liberal foundations of conventional banking and finance (El-Gamal, 2006; Henry, 2009; Kuran, 2006; Maurer, 2002; Pollard & Samers, 2007).

Such close alliances and cooperation between IFB elites and western banking institutions meant that IFIs practices are "virtually indistinguishable from conventional banking and finance" (El-Gamal, 2003, 2006; Khan, 2010, p. 817; Kuran, 2006). Academics and industry practitioners observed that contemporary IFIs have mimicked the institutional framework and products of conventional banking, displacing Islamic principles from the process (Wigglesworth, 2014). Theoretically, IFIs should be distinguished from conventional banks on issues related to i) the prohibition of interest and uncertain transactions, mandatory re-distribution of wealth and prohibition of investment in sinful or harmful products/activities, (ii) Profit and Loss sharing (PLS): profit through risk-sharing in productive activities or trade, and (iii) ownership of real assets or asset-based transactions (Chong & Liu, 2009; Khan, 2010). In practical terms, and nearly after thirty years of their inception, IFIs practices have failed to meet *any* of the claimed distinguishing characteristics of Islamic finance (Kamla, 2009; Kamla & Rammal, 2013; Khan, 2010; Kuran, 2006).

The inability of IFIs to adhere to the PLS concepts and other Shari'a principles have been linked to issues of practicality and profitability, as practitioners soon found that interest-free banking was not realistic and that PLS yielded more loss than profit. To stay profitable and competitive, it has been argued, IFIs needed to remain innovative and could not deviate substantially from conventional practices (Al-Monayea, 2012; Chong & Liu, 2009; Henry, 2009; Kuran, 2006). IFIs, therefore, "have no choice but to mimic conventional finance as closely as possible as this is a functional necessity . . . [IFIs] . . . forever doomed to be an inefficient replication of conventional finance, always a step behind" (El-Gamal, 2006, p. 25; Khan, 2010). Unable to offer any substantial alternative to conventional counterparts or to escape the "centripetal pull" of western economic thought, lacking political and economic drive to provide an alternative, IFB lost its emphasis on independence and

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identity (El-Gamal, 2003; Kuran, 2006). Despite this, popular Islamic banking discourses insist on denouncing conventional financial products through the *ulama*, referring to Islamic banks as interest-free banking and to conventional banks as interest-bearing banks (El-Gamal, 2003). This divergence between reality and their claims means that the only "Islamic" aspect of these banks is "Shari'a arbitrage" and "identity staging" where Arabic classical names are used for products and contracts to lend credibility to the Islamic brand (El-Gamal, 2006; Khan, 2010; Kuran, 2006).

5. The continuity of the accounting-imperialism nexus in Muslim countries

Accounting practices and regulation in the Muslim world, as the case with the majority of postcolonial countries, have a profound dependency on western training, certification and qualifications; signifying a continuous mode of imperialism in contemporary global settings (Aburous, 2016; Kamla et al., 2006). This dependency is informed by the neo-liberal economic rhetoric advocating IAH and IFRSs as high quality standards that facilitate access to markets and efficient resources' allocation. For many accountants in these countries, therefore, to "play the globalisation game" is to either adhere completely to IFRS or to not differ materially from it (Gallhofer et al., 2011; Kamla, 2007; Kamla, 2009; Kamla et al., 2012). In the Arab world, Aburous (2016); Gallhofer et al. (2011) and Kamla (2007) highlighted how accounting regulation, practices and training are legacies of former colonialism combined with continued western hegemonic pressure and the collaboration of Arab elites. They revealed how Arab accountants are encouraged to acquire UK or US professional certifications and how western accounting models are displacing attention from accounting that is concerned with society or influenced by Islamic

Table 1
Profile of the Shari'a Board (SB) members of the AAOIFI.

No.	Position at AAOIFI	Shari'a expertise	PhD	Western Education	Background in AEF	Expertise in Law	Professional background (current/previous)
1	SB Member1	√	√		√	√	Senior Judge, Advisor and member of Govt. regulatory bodies, Academic SB member of IFIs
2	SB Member2	√				√	Senior Judge, Advisor and member of Govt. regulatory bodies, Researcher, SB member of IFIs
3	SB Member3	√	√			√	SB member and consultant of IFIs and central banks, Academic
4	SB Member4	√	√	√	√	√	SB member and advisor of IFIs and central bank, Academic
5	SB Member5	√	√	√	√	√	SB member of IFIs, Advisors to governments and central banks, Academic
6	SB Member6	√	√				SB member of IFIs, Academic
7	SB Member7	√					Researcher, Top executive in Govt. regulatory bodies, SB member of IFIs
8	SB Member8	√	√			√	Member of Council of senior scholars, Adviser to the court, SB member of IFIs
9	SB Member9	√	√			√	Chairman of SB in IFI, Academic, Author
10	SB Member10	√	√				SB Chair and member of IFIs, International Expert, academic
11	SB Member11	√	√		√	√	SB member of IFIs, Academic, Author
12	SB Member12	√	√			√	Member of Council of senior scholars, Academic
13	SB Member13	√	√				Academic
14	SB Member14	√	√				SB member of Central bank
15	SB Member15	√	√	√	√	√	Top executive in Sharaih regulatory board, Academic, SB member of IFIs
16	SB Member16	√	√		√	√	SB member in IFIs
17	SB Member17	√	√				SB member of Central bank
18	SB Member18	√	√				Member of Highest Shari'a Council
19	SB Member19	√			√		IFI representative
20	SB Member20		√		√		Top executive in IFIs, academic
	Total Number	19	17	3	8	11	
	%	95	85	15	40	55	

Source: Compiled by the authors based on extensive web-based research.

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teachings. These findings were replicated in other Muslim countries like Bangladesh and Malaysia where professions, regulations and practices continue to be fashioned according to the colonial model supported and enforced by the State (Belal & Owen, 2007; Hussan & Sulaiman, 2016).

The majority of "developing countries", including Muslim ones, therefore, adopt IFRSs as their local standards instead of developing indigenous forms of accounting that suit their culture (Kamla, 2007). For example, the three largest Islamic finance markets (KSA, Malaysia and UAE) embraced IFRSs, including for IFIs. Western, especially British accounting professional bodies like ACCA and ICAEW exert significant influence on education, training and profession, supported by the State, an indication of a colonial legacy (cf. CSAP, 2014; Cherian, 2016; ECPA, 2016; Hope, 2010; SOCPA, 2016; The CFO, 2016; UAE AAA, 2016). Focusing on recent developments, in the UAE the Accounting and Auditing Association (AAA) has signed a 3-year agreement with its "long-term" partner ACCA to share technical knowledge and to work together on education and professional development programme including UAE Chartered Accountancy (UAECA) qualification (UAE AAA, 2016). Such cooperation is promoted by local accountants working with these institutions based on the "global expertise" rhetoric that these bodies offer, ignoring the Anglo-American focus of their degrees and training programmes. For instance, Ahmed Darwish, the Chairman of the Advisory Committee of ACCA in the UAE, argues "This MOU shows serious commitment of ACCA in UAE by attracting local talents and enable them to become professionals and qualify them fully. I believe that the accounting profession in United Arab Emirates is taking steps forward by bringing "global expertise" and local expertise and integrate them together" (UAE AAA, 2016 our emphasis). UAE's AAA has also agreed with ICAEW, ACCA, Institute of Chartered Accountants of Pakistan (ICAP), and Institute of Chartered Accountants of India (ICAI) to launch a joint action task force to deal with professional accounting issues of mutual interests (The CFO, 2016).

Similarly, in KSA, Saudi Organization for Certified Public Accountants (SOCPA) and ICAEW signed an agreement in 2014 to share professional expertise both nationally and internationally and plan to cooperate on issues such as professional development and accountancy training, quality control, education and examinations. Michael Izza, the Chief Executive of ICAEW in KSA also provokes the "global expertise" rhetoric: "We are . . . looking forward to aligning our visions and sharing our expertise to strengthen and support the development of the accountancy profession in Saudi Arabia" (ICAEW, 2014). In Malaysia, accounting standards are in full conversion with IFRSs. The professional accountancy qualification in Malaysia has also been shaped by the presence of international accountancy bodies such as ICAEW, ACCA, CIMA, Institute of Chartered Accountants in Australia (ICAA) and CPA Australia (CSAP, 2014, p. 6). Dependency on Anglo-American accounting bodies is broadly maintained by evidence of great job opportunities for those holding these certificates. A recent survey organised by the UAE's leading newspaper Gulfnews (Cherian, 2016) found that the UK-based ACCA certificate is the most successful accountancy qualifications in the UAE in terms of job prospect, followed by Chartered Accountancy offered by India-based ICAI (based on the ICAEW), and US-based Certified Management Accountants.

Such entrenchment of western accounting bodies and standards in key Islamic finance markets, as we will elaborate later, represents a significant obstacle for AAOIFI to develop an alternative accounting world-view under Islamic principles.

6. AAOIFI: between religious' identity staging and global capitalism

AAOIFI was established by a number of IFIs in the 1990s after a series of scandals in the Islamic banking industry, which gave rise to calls for specific accounting standards to "remove any possible taint of illicitness, as well as to bolster confidence in the emerging market sector" (Maurer, 2002, p. 650). IFIs' concerns related to increased Muslims' suspicions about the Islamic nature of their products and fears of regulatory interference after the scandals were key drivers for the establishment of AAOIFI (El-Gamal, 2006; Kamla, 2009; Maurer, 2002).[4] Since its inception, therefore, AAOIFI was faced with a difficult task of combining religious values with capital market requirements of "efficiency", "standardisation" and "decision-usefulness" (the same as other setters) in developing accounting standards (Maurer, 2002). These often-conflicting notions gave rise to two competing narratives about AAOIFI's role and its identity.

6.1. Religious identity staging

AAOIFI's claims to a unique Islamic character are key to defending IFIs' against charges of simply mimicking conventional counterparts, legitimising them and keeping them attractive to Muslim customers (Kuran, 2006). The establishment of AAOIFI therefore was often accompanied with a rhetoric that distinguishes it from conventional bodies based on cultural and religious grounds. Below we provide examples of such rhetoric.

Rifaat Karim, the first secretary general of AAOIFI (1998–2003) argued:

> The broad acceptance for AAOIFI's standards will tend to challenge the call for worldwide adherence to IASs to achieve international harmonisation in financial reporting regardless of cultural differences

(Karim, 2001, p. 190).

[4] AAOIFI is a non-profit organisation that combines the roles of a regulator and a professional body (AAOIFI, 2015b). It issues two sets of standards: Shari'a standards, and accounting, auditing and governance standards. As on 23rd February 2015, AAOIFI has issued a total of 88 standards, including 48 Shari'a, 26 accounting, 5 auditing, 7 governance standards, and 2 codes of ethics (AAOIFI, 2015c).

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The former secretary general of AAOIFI Mohamad Alchaar (2003–2011) also highlighted the necessity for distinctive accounting standards for IFIs, since IFIs' operations are conceptually and markedly different from those of conventional financial institutions (ACCA, 2010). Likewise, AAOIFI's publications emphasise its religious character:

> . . . *objectives, concepts and standards of financial accounting must be in full compliance with the Islamic Shari'a* . . . that accounting is a social science, which is affected by its environment. Islamic bank's environment would encompass Shari'a, legal, economic and social requirements as well as the development of accounting thought and practice

(AAOIFI, 2003, p. xxiii, *our emphasis*).

The Islamic Development Bank (IDB: a major funder/founder of AAOIFI) in the same publication also promoted a wider social role, rather than merely an economic one, of accounting including the "re-distribution of wealth for the benefit of the society", re-emphasising the importance of developing distinct accounting standards for IFIs based on Shari'a (AAOIFI, 2003, p. 4).

In addition to the above rhetoric, the most distinguishing religious feature of AAOIFI is the involvement of *ulama* in its boards. Their proclaimed role is to provide moral perspectives in developing Islamic accounting standards, so as to balance financial and professional perspectives of the accounting professionals. AAOIFI's Shari'a Board's (SB) role, therefore, is a form of "sacralisation" of AAOIFI's standards (Lévy & Rezgui, 2015, p. 89). The SB (and other boards within AAOIFI) includes the most prominent *ulama* from 14 nationalities. They represent various schools of thought and consist of (19 out of 20) members who are experts in *fiqh* (Islamic jurisprudence) and have extensive professional experience in Shari'a supervisory matters (AAOIFI, 2015f) (see Table 1).

Shari'a scholars' endorsement of the standards issued by AAOIFI is considered a significant legitmisation tool. *Ulama*'s *fatwas* incorporated in these standards are considered for many an indication that Islamic principles are embedded in "Islamic economic life" (Zaki & Hussainey, 2015, p. 5). Therefore, as in IFIs, SBs in AAOIFI are essential for assuring the Muslim public on whether IFIs' products and Financial Accounting Standards (FASs) guiding them are Shari'a-compliant or not (Anderson, 2010; Henry, 2009). Shari'a scholars involved with AAOIFI also appear in conferences and workshops run by IFIs and publish essays educating and explaining to the public why some products and standards are Islamic and others are not, playing an unofficial marketing role for IFIs products (El-Gamal, 2006).

AAOIFI in its religious "identity staging" also significantly employs symbolic depictions and textual messages to confirm its Islamic identity. For a start, the standards, which are developed in English and often closely aligned with IFRSs, are littered with Arabic medieval terms like *mudaraba* (PLS); *murabaha* (sale-plus-mark-up) and *Ijara* (lease) (cf AAOIFI, 2003, 2015b). This is despite that the standards related to these products hardly resemble the medieval meanings that these products carry

Table 2
Profile of the Accounting and Auditing Standards Board (AASB) members of the AAOIFI.

No	Position at AAOIFI	Shari'a expertise	PhD	Western Education	Background in AEF	Expertise in Law	Professional accounting qualification	Professional background (current/previous)
1	AASB Member1			√	√		√	Top executive in IFIs, Audit firm
2	AASB Member2			√	√		√	Big4 Partner
3	AASB Member3				√			Top executive in IFI
4	AASB Member4	√		√				SB member and adviser in IFIs
5	AASB Member5			√	√		√	Big4 Partner, Top executive in IFIs
6	AASB Member6		√	√	√		√	Big4 Partner
7	AASB Member7				√			Top executive in central bank
8	AASB Member8		√		√			Top executive in IFI
9	AASB Member9			√	√	√		Lawyer, Partner of law firm
10	AASB Member10			√	√	√		Lawyer, Partner of law firm
11	AASB Member11	√	√			√		SB member and consultant of IFIs and central banks, Researcher
12	AASB Member 12			√	√		√	Top executive in IFI
13	AASB Member13		√		√			Top executive in IFIs, academic
	Total Number	2	4	8	11	3	5	
	%	15	31	62	85	23	38	

Source: Compiled by the authors based on extensive web-based research.

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(Kuran, 2006; Maurer, 2002). Further, the logo of AAOIFI is a scale, which symbolises the principles of equality and fairness in Islam. The background images in AAOIFI's website show interiors of a mosque, a depiction of Islam as the symbol of its guiding principles.

The above-mentioned rhetoric, symbols and images of Islamicity as well as the involvement of *ulama* with AAOIFI all contribute to the perception of Islamic and cultural specificity of AAOIFI. This religious identity emerges side-by-side with rhetoric related to AAOIFI's role as a modern, market-based accounting standards-setter body as we elaborate next.

6.2. AAOIFI: modern, global and market-orientated

When Rifaat Karim attempted to practically define differences between "Islamic accounting" and conventional accounting, these differences were collapsed to merely calculations related to the prohibition of interest and *Zakat* (Islamic tax) (Karim, 1995). Indeed, in contrast to his previous statement about cultural specificity of Islamic accounting, Rifaat displaces broader religious values from the scope of AAOIFI and suggests that accounting standards should *not* be influenced by religious rulings:

> The FAOIBFI's (AAOIFI's initial name) objectives and concepts would not be useful in mandating accounting standards on issues that are affected by religious ruling . . . *the more the FAOIBFI sets accounting standards that incorporate religious ruling, the less it would tend to find its own objectives and concepts useful*

(Karim, 1995, p. 285, *our emphasis*).

Interestingly, this same argument of separating religion from setting accounting standards was later used by the Malaysian Accounting Standards Board (MASB) to justify its decision to abandon AAOIFIs' standards altogether and fully adopt IFRSs for IFIs in Malaysia (cf. Azmi, 2011a, 2011b). AAOIFI's former member and the Chairman of MASB Mohammad Azmi argued for global convergence between AAOIFI and IFRSs repeating rhetoric regarding economic benefits of standardisation such as "global acceptance", "credibility of local market to foreign investors", "comparability across boundaries", and "cross-border listing" (Azmi, 2011a). Azmi (2011a) asserted that the discrepancies between IFRS and AAOIFI's standards are only matters of interpretations, not real. He also argued that accounting treatments do not determine whether a transaction is permitted under Shari'a or not. Azmi (2011b), like Karim (1995), went on to argue that Shari'a principles will influence, but not determine, the accounting treatment of Islamic finance products and transactions.

These discourses have resulted in a separation between accounting and Shari'a standards (cf. AAOIFI, 2015b) in order to better align AAOIFI's accounting standards with the free-market rhetoric, which often separates the financial, material, tangible and economic focus from other socio-economic aspects. This separation allowed AAOIFI to move closer to the Anglo-American logic of IAH to widen its global network and to legitimise its existence. Since 2014, AAOIFI has taken initiatives to pursue close collaboration with IASB, IFAC, IMF and WB (AAOIFI, 2015d). AAOIFI confirmed that it would continue to work closely with these international multilateral institutions to promote harmonisation, repeating, meanwhile, rhetoric related to enhancing "transparency and comparability" in IFIs' operations and performances (AAOIFI, 2015e). The secretary general of AAOIFI Hamed Merah stated that:

> AAOIFI's mounting efforts towards achieving more "*harmonisation and standardisation*" for the Islamic finance industry, specifically in its bid to develop more Shari'a and accounting/auditing/governance standards and codes of ethics in line with "best practices" and with the aim of *further "global reach" and adoption.*

(AAOIFI, 2015f, *our emphasis*).

Similarly, one AAOIFI executive Omar Ansari (AAOIFI, 2015a, p. 24) argues:

> "AAOIFI needs to fight its case; for separately and correctly characterizing Islamic finance transactions, *even under the IFRS umbrella* (p.11) . . . that *bridging the gaps with IFRS* will improve the level of acceptability of AAOIFI standards in the jurisdictions dealing with Islamic finance."(*our emphasis)*

Consequently, AAOIFI's standard-setting process did not differ greatly from that of IASB in focusing on IAH, comparability and the efficient functioning of global financial markets for IFIs. AAOIFI's standards are meant for the market and large investors rather than societal stakeholders or even small PLS account holders (Kamla & Rammal, 2013; Maurer, 2002). AAOIFI's objectives emphasised the notion of "decision-usefulness of information to enable users to make investment decisions in their dealings with IFIs" (AAOIFI, 2003, pp. 17,18). Similarly, principles informing the development of the AAOIFI's standards are explicitly comparable to those informing IASBs including "impartiality, consistency, universal applicability, and procedural precision" (Ibrahim & Yaha, 2005; Maurer, 2002, p. 657). Indeed, AAOIFI explicitly reveal that its objectives and principles are based on conventional ones. In setting out the objectives of financial statements of IFIs, AAOIFI compared two approaches to establishing financial accounting objectives: (i) establish objectives based on the principles of Islam and its teachings (ii) start with the objectives established in contemporary accounting thought. Finally, AAOIFI preferred the second option, before testing conventional objectives against Shari'a, adopting those that are consistent with Shari'a, and excluding those that are not (AAOIFI, 2003, p. 13).

Therefore, AAOIFI's claim to developing Islamic Shari'a-based accounting standards tends to be rhetorical rather than real (Kamla, 2009; Maurer, 2002). Indeed, the Islamic accounting literature is full of examples related to the failure of AAOIFI to offer any indigenous alternative to the Anglo-American logic. Maurer (2002) gives an example of the way AAOIFI was unable to depart from conventional practices in relation to "*mudaraba*" (PLS) accounts, where problems of conventional accounting in treating "*mudaraba*" transactions were transformed into non-problems. Mukhlisin (2016) compared AAOIFI's conceptual

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framework and standards with those of IFRSs, and showed that "there is no significant difference in Shari'a messages in the financial reporting standards published by IFRS, AAOIFI" (p. 17). Mukhlisin (2016) also found that AAOIFI's standards incorporated *less* reference to issues that meet Shari'a requirements of social justice and public interest than even IFRSs (cf. Gulzar, 2016). Despite that around 31% of the total population of 57 Organisation of Islamic Cooperation (OIC) countries live below the poverty line of US$ 1.25 per day (Alpay & Haneef, 2015), AAOIFI standards do not provide any prescription to reduce inequality and poverty of the Muslim community. Neither the AAOIFI's conceptual framework nor the specific standards for *Zakah* and corporate social responsibility (CSR) outline how IFIs can promote the Islamic principles of social justice and equity through the creation of public goods and social capital, and the reduction of poverty (cf. Adnan & Bakar, 2009; Bani, Ariffin, & Rahman, 2015; Farook, 2007; Kamla & Rammal, 2013).

The Anglo-American logic and intellectual capture of AAOIFI standards and objectives can be comprehended in light of the influential role of western-based or western-educated experts informing the development of Islamic accounting thought and standards. The Big 4, for instance, are widely represented at AAOIFI's boards. The current ten-member accounting standards committee is composed of 7 executives from the Big 4 accountancy firms, with a KPMG partner being the Chair of the committee. Accounting and Auditing Standards Board (AASB) also contains 3 members out of 13 who are partners in Big 4. Table 2 shows eight (62%) AASB members hold higher degrees from either US or UK and 5 (38%) have professional accountancy qualifications from Anglo-American institutions. It is not easy to elaborate on how these members particularly influence AAOIFI's direction towards IAH, however, official publications by their employers on the topic make clear that the Big 4 perceive harmonisation with IFRSs as the most suitable step for IFIs. A publication by PricewaterhouseCoopers (PwC) maintained:

> *IFRS principles rather than the Islamic legal form should determine the accounting treatment*, [those principles make] it possible to recognise, measure and disclose the economic substance of Islamic finance without compromising Shari'a principles

(PwC, 2010, p. 4, *our emphasis*).

PwC (2010, p. 3) argues that the small differences between IFRSs and IFIs accounting requirements can be easily addressed through further disclosure. Similarly, one of the collaborative reports of ACCA and KPMG outlined:

> ...IFRS is the "*only language*" for financial reporting that has true "*global recognition*" and clearly offers "*cross-border comparability for users of IFI financial reports*" . . . .Regional standards, and especially those geared specifically towards IFIs, cannot yet offer these benefits.

(ACCA, 2010, p. 17, *our emphasis*).

AAOIFI's website repeats such market-based rhetoric. For instance, Esaam Eshaq, a member of the AASB at AAOIFI said:

> The new AAOIFI standards were set in place to enhance "*standardisation*" and "*harmony*" in accounting for Islamic financial transactions. . . . this standardisation create "*trust and confidence*" in Islamic institutions and the industry . . . encourages "*trade and investment*", benefiting the local, regional, and "*global economy".*

(EmiratesReview, 2014, *our emphasis*)

The IAH rhetoric informing much of AAOIFI discourse and practices has, therefore, narrowed the scope of Islamic accounting and neutralised it as a technical and rational process separate from religious morality. This neutralisation facilitates the universalisation of the Anglo-American logic, and lessens resistance to IFRS on moral or ethical grounds. The following observation by one Shari'a scholar is telling of the hegmonic extent of Anglo-American logic in promoting accounting as objective, neutral and technical. Shahul Ibrahim, a member of the Malaysian Industrial Development Finance (MIDF) group Shari'a committee, stated (Accountingweb, 2006):

> To professional accountants who have been brought-up on the idea of accounting as an 'objective', technical and value-free discipline, the idea of attaching a religious adjective to accounting may seem embarrassing, unprofessional and even dangerous.

From the above, as AAOIFI stages its identity as Islamic through symbols, images, Arabic texts and *ulama*, it concurrently employs significant efforts and rhetoric to appear global, modern and even "secular" in order to gain global markets acceptability and reach. These are evident in its attempts to separate accounting standards from Shari'a standards, closely align its standards with IFRSs and most importantly failing to provide an intellectual, indigenous alternative to the Anglo-American logic of IAH, contributing therefore to sustaining the accounting-imperialism nexus in the Muslim world. Next, we elaborate on how key local elite collaborators associated with AAOIFI play a significant role in this process.

7. Internal collaborators

The structure of AAOIFI can be categorised in two parts: (i) the general assembly, the board of trustees, the executive committee and the general secretariat; and (ii) the Shari'a board (SB) and the accounting and auditing standards board (AASB) (AAOIFI, 2015g). According to the Statutes of AAOIFI, the general assembly is the supreme authority of AAOIFI, representing four different types of membership with different degrees of power. These include (i) founding members (ii) associate members (iii) members representing regulators and supervisory authorities of IFIs; (iv) observer and supporting members (AAOIFI, 2015g). *Founding members* are the IFIs such as the Islamic Development Bank, Dallah Al Baraka, Faysal Group (Dar Al Maal Al Islami), Al Rajhi Banking and Investment Corporation, and Kuwait Finance House, who were the signatories to the Agreement of establishing AAOIFI. *Associate members* include IFIs and Shari'a-compliant companies, Shari'a

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scholars and institutions. Anglo-American professional bodies and firms such as PwC, KPMG and Ernst & Young are *observer members* and have been involved in the formation and/or development of AAOIFI. The 2015 Conceptual Framework issued by AAOIFI was developed in association with PwC (PwC, 2013).

A close look at the composition of expertise shaping AAOIFI's committees is telling of IFIs, *ulama*, Muslim States regulatory bodies, western firms (mainly Big 4) and western education/qualification bias. The Board of Trustees, which appoints the SB and AASB's boards' members, is heavily reliant on seconded staff from IFIs, professional accounting bodies and firms. As on 6th June 2016 it contained 10 (out of 19) members who are CEOs, Chairmen or CFOs of IFIs (three of which are the founding banks).[5] Two of its members are managers/Chairmen of auditing and consultancy firms, one of which is Earnst & Young. Similar patterns are observed in AASB, the body empowered to adopt due processes in preparing and interpreting accounting and auditing standards, and reviewing those standards to make necessary amendments. In AASB, all but one member (see Table 2) represent IFIs, work in a Big 4 or have western education or qualification. AASB contains 8 (out of 13) members directly linked to IFIs, of these four are top IFIs' executives, including the Chairman of the board (see Table 2). In SB, 17 (out of 20) members sit on one or more IFIs' Shari'a Supervisory Boards (SSB) (see Table 1). We also analysed the composition of AAOIFI's committees' members in the 2010 edition of AAOIFI standards and found similar patterns.

As AAOIFI is largely managed by individuals who are closely linked to IFIs and Big 4, questions are raised about AAOIFI's independence in setting up genuine Islamic accounting standards and thought (Lévy & Rezgui, 2015). In what follows we will explore how competing interests of key internal actors like IFIs, key Islamic finance markets' regulators and *ulama* are at play in shaping AAOIFI's role in the global market.

7.1. IFIs

AAOIFI establishment was significant for providing IFIs with legitimacy and confidence in the emerging Islamic finance market as well as assuring the Muslim public of IFIs Islamic character (*supra*). Meanwhile, IFIs' rapid growth is a direct result of liberalisation policies around the Muslim world and reduced governments' control (El-Gamal, 2006; Kuran, 2006; Pollard & Samers, 2007). Therefore, IFIs' interests are mainly in steering AAOIFI towards global market forces to allow IFIs flexibility, choice, competitiveness and innovation, while maintaining unique religious appeal (El-Gamal, 2006). Thus, IFI's rhetoric is often directed towards the importance of "market acceptability" of the standards, which often requires flexible, as opposed to religious and rigid, accounting standards. In a roundtable organised by Euromoney (2008), statements by IFIs' chief executives revealed their concerns to retain their market flexibility in adopting standards. For example, Ahmed Al-Khan of Global Banking Corporation argued:

> Standardisation is a critical issue. But it is also important to understand that in trying to stay ahead of innovation, *regulation should not get so stringent that it stifles innovation*. (*our emphasis*)

As Islamic financial products reach certain levels of maturity, a reduction in entry barriers and an increase in competition has driven the industry towards constant innovation. This requires cooperation between Shari'a boards, lawyers and bankers to continuously engage in product innovation and financial engineering. The drive for new products puts pressure on Shari'a scholars to approve products that are structurally perceived as un-Islamic like hedge funds and derivatives (El-Gamal, 2006). IFIs' executives, like Ahmed Al-Khan, for instance, argued that religious scholars should be "flexible" in their interpretations and be more "pragmatic", rather than "theoretical", when developing accounting standards. Ahmed's suggestion is for the *ulama*'s system to be regulated to allow scholars to think in a "banking perspective" rather than a "scholarly perspective". Other executives also defended derivatives as suitable products for IFIs. Afaq Khan explained that Standard Chartered is at the forefront in using Islamic derivatives such as profit and currency swaps in Malaysia, Saudi Arabia and Abu Dhabi (Euromoney, 2008). In support of Islamic derivative instruments, Afaq provoked the argument related to market-logic:

> . . . if Islamic institutions are to prosper they need a certain number of key tools. They are available today and a deepening of the market has to take place.

Similarly, AAOIFI's former Secretary General Mohamed Alchaar acknowledged the impracticality of PLS for IFIs' market survival:

> If you let banks share losses right and left, the whole system will collapse in any downturn (cited in Wigglesworth, 2009).

It is not surprising, therefore, that AAOIFI's approach to developing accounting standards have focused mainly on developing standards that would have "the most universal transferability" and acceptance within the industry (Maurer, 2002, p. 665). AAOIFI's board defends this approach by arguing that it allows AAOIFI to benefit from "objectives, concepts and standards already developed in accounting thought" (AOSSG, 2010a, p. 11). Thus, AAOIFI understands that any attempt to develop Islamic accounting standards starting from a different methodological or epistemological perspectives to mainstream standards is "impractical" and does not "generate the facts that economic practice needs in order to "work", much less to work "efficiently"" (Maurer, 2002, p. 652).

When AAOIFI is faced with a conflict between market forces and religiosity, IFIs mainly impose their will on AAOIFI (cf. Maurer, 2002, 2010). Lévy and Rezgui (2015) revealed how powerful IFIs often intervene to change AAOIFI's position when a

[5] A list of the Board of Trustees is available, but not included in the paper to conserve space.

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standard proves to have negative repercussions for their accounting results. They referred to FAS17 as an example where amendments took-place urgently without carrying out the "due process" of stakeholder consultation or even consultation with the SB. Justifications for such unconstitutional amendments were based on market-orientated logic of competition to allow Islamic banks to "benefit from the entry of unrealised losses in the statement of changes in equity", a transaction allowed under IFRS (Lévy & Rezgui, 2015, p. 97). On one occasion, the conflict between religiosity and practicality became public when a powerful Shari'a scholar and the Chair of AAOIFI's SB spoke out against the "un-Islamic" practices related to *Sukuk*. Sheikh Muhammad Taqi Usmani in November 2007 "shocked" Islamic finance markets when he argued: "85 percent of Islamic bonds (*Sukuk*) are not Shari'a-compliant . . . structured too much like conventional bonds" (Islamic Finance Resource, 2008). This statement resulted in 50% drop in *Sukuk* issuance in 2008 (White, 2010). AAOIFI, subsequently, issued new *Sukuk* guidelines in line with Usmani's recommendations, strictly requiring that *Sukuk* issuance should be based on PLS products. While difficult to prove, the incident might have altered IFIs' support to AAOIFI's standards, as since 2008, many IFIs and their jurisdictions moved away from AAOIFI, promoting compliance with IFRS instead.

Studies that sought IFI executives' opinions of compliance with accounting standards provide supporting evidence of this trend. In-depth semi-structured interviews with top executives of IFIs in Malaysia carried out by Mohammed, Fahmi, and Ahmad (2015) revealed that IFIs' executives strongly support close collaboration between IASB and AAOIFI to develop accounting standards or guidelines for IFIs within the framework of IFRS. This is consistent with the evidence from Shafii and Zakaria (2013), who used semi-structured interviews to provide IFIs' executives' viewpoints on applying IFRS. Both studies found that IFIs' executives prefer Shari'a compliance issues to be mentioned as voluntary disclosure in the notes to the accounts as assurance to the Islamic public rather than to be prescribed in accounting standards. Similarly, the Deloitte Islamic Finance Knowledge Center (IFKC) conducted an online survey in 2010 among the executives, practitioners and policymakers in the Middle East, and found that 79% of the respondents support a convergence initiative of AAIOFI standards with IFRS, while only 7% do not support convergence initiatives (Deloitte, 2010).

IFIs' move towards embracing IFRSs and undermining FAS is also evident in reporting/disclosure choices by IFIs. AOSSG (2015a) reviewed financial statements of 132 IFIs from 31 countries, and found that 46% of the IFIs comply with either IFRS or IFRS as adopted by a specific jurisdiction, 34% comply with local generally accepted accounting principles (GAAP), and only 18% comply with AAOIFI's. We also reviewed the latest available annual reports of AAOIFI's founding members, and found that three of the five founding members (Dar Al Maal Al Islamic trust, Al Rajhi Banking and Investment Corporation, Kuwait Finance House) state that they use IFRS for their financial reporting practices, whereas two (Islamic Development Bank and Al Baraka Banking Group, which is a Islamic banking affiliate of Dallah Al Baraka) state adopting AAOIFI's standards. A similar pattern is also evident in the analysis of annual reports of the 75 associate members from 22 countries. We found that 28% of those members state that they use IFRS, whereas 27% state the use of AAOIFI and IFRS standards (if certain transactions are not covered by AAOIFI standards), and 9% use local GAAP.[6]

IFIs, therefore, are increasingly moving away from FAS towards IFRS. This move is accompanied by key Islamic finance markets' regulatory bodies undermining AAOIFI's standards by embracement IFRSs for IFIs.

7.2. Regulatory bodies in key Islamic finance markets

The success and implantation of AAOIFI's standards depend largely on the cooperation of national regulators (Karim, 2001). Recognising this, AAOIFI had Muslim States' regulators on its boards. The Board of Trustees contains one government minister, two governors and deputy governors of Muslim countries' central banks. The AASB also contains one central bank representative.

Initially key Islamic finance markets like KSA, Malaysia and UAE supported AAOIFI requiring IFIs to implement FAS. Specifically tailored Islamic accounting standards were perceived to give the industry credibility as Islamic (El-Gamal, 2006). KSA, through IDB, was a major contributor and funder of AAOIFI, Bahrain hosted AAOIFI and Malaysia provided expertise to AAOIFI. However, as the industry grew, so did demands for IFIs to portray compliance with IFRSs and regulations to meet global comparability and competitiveness requirements. Consequently, one accounting professional body after another abandoned the requirements for IFIs to follow FAS in favour of IFRS. Perhaps the most notable setback for AAOIFI was the regulatory initiatives in the largest Islamic finance markets: KSA, Malaysia, UAE and Kuwait to enforce IFRS over FAS (Weforum, 2015). This left Qatar and Bahrain (much smaller Islamic finance markets) as the main jurisdictions that adopt AAOIFI in-conjunction with IFRS. Even in these two countries, an AOSSG (2015a) survey revealed that the accounting treatments of several IFIs tend to align more towards IFRS. The authority of AAOIFI is further constrained by the decision of Qatar's Central Bank to ban Islamic windows of conventional banks due to insufficient standards, even though AAOIFI issued standards for Islamic windows (Reuters, 2012a).

Accounting regulatory bodies in the largest Islamic finance markets are indeed leading the way in reconciling IFIs' requirements with IFRSs. MASB, for instance, as part of IASB's "Consultative Group for Shari'a-compliant instruments and transactions" is leading the convergence initiatives through a more organised AOSSG (Working Group on Financial Reporting Issues relating to Islamic Finance), along with Dubai Financial Services Authority (DFSA), SOCPA, ICAP and Indonesian

[6] We could not identify accounting policies of 36% of AAOIFI's associate members, as they did not provide financial reporting information.

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Institute of Accountants (IAI) being other powerful members. The working group observes that many AAOIFI accounting standards do *not* contradict IFRS (AOSSG, 2010b). They propose to work closely with IASB to address the limited differences.

After a consultation exercise in 2013, the group recommended that IASB should be responsible for the recording of IFIs' transactions, and that the interpretations of Shari'a-compliance should be left to the discretion of *ulama* (IFRS, 2013). This indicates a direct threat to the application of FAS by IFIs. Whilst there is recognition of Shari'a scholars' role, there seemed to be deliberate attempts not to recognise AAOIFI's role in developing accounting standards. In 2015, the working group commented on IASB's exposure draft on "Conceptual Framework for Financial Reporting", proposing the inclusion of several issues of Islamic financial reporting within the IASB's proposed conceptual framework (AOSSG, 2015b). Proposals were limited to the inclusion of an explicit statement on "substance over form" and the disclosure of "legal form" and the application of IFRS 15 and IFRS 9 to Islamic finance (Deloitte, 2014).

From the above, decisions of regulatory bodies to move away from AAOIFI closer to IFRSs are based on rhetoric related to: (i) the lack of differences between FAS and IFRSs and (ii) the market practicality of complying with IFRSs. The practicality argument was evident, for instance, by the results of the consultation exercise carried-out by DFSA with industry practitioners, Big 4 accounting firms, international banks, and regulators. The meeting concluded that:

> . . . *there was no fundamental problem in using IFRS for Islamic finance transactions*, though some interpretations needed to be made . . . industry representatives noting that they would in any event need to report their Islamic finance activities under IFRS for group consolidation purposes

(DFSA, 2011, p. 4, *our emphasis*).

Accordingly, DFSA decided to comply with IFRS instead of FAS in December 2012 (DFSA, 2011). Similar developments took place in Malaysia, where IFIs have to fully converge with IFRS since January 2012. The initial efforts of MASB on Islamic financial reporting were aligned towards AAOIFI, even though MASB later distanced itself from that objective, and moved towards IFRS (AOSSG, 2010b). In support of this view, MASB quotes the lack of differences between FAS and IFRSs and goes on to assert that the primary difference between the financial reporting of Islamic and conventional transactions is not an issue of recognition and measurement, but limited to the necessity to provide required information to the users (AOSSG, 2010a).

Generally, Muslim countries' regulatory bodies subject IFIs to identical regulatory frameworks to conventional banking. For instance, despite claims that Islamic banking is Shari'a-compliant as it is based on PLS, Muslim governments through central banks provide implicitly and explicitly "lender of last resort" guarantees to Islamic banks. Therefore, while supportive of IFB, the majority of Muslim countries would not approve banking regulations that are not identical to conventional banking (El-Gamal, 2006; Kuran, 2006).

The rise of IFB is closely linked not only with the branding strategies of Muslim-majority jurisdictions such as in Malaysia as centers for Islamic finance, but also with the symbols of modernity, capitalist development and economic growth (Rudnyckyj, 2013), even though many Muslims call for a system that is truly based on Islamic principles. The market-oriented campaigns they pursue often compromises socio-economic assumptions and requirements of Islamic principles like unity, social justice and equity (Henry, 2009). As Malaysia and Dubai are positioning themselves as global hubs for Islamic finance by creating institutional and regulatory frameworks that are appropriate in the global market, they need to reduce ambiguity in Islamic financial services, increase standardisation and promote "global" education, research and innovation in Islamic finance and accounting (Henry, 2009; Rudnyckyj 2013). Here, adoption of IFRSs seems more practical for these jurisdictions. Within a context of global capitalism, initiatives for Islamic alternatives became hindered by concerns about practicality, cost and integration in the current global context.

7.3. Shari'a scholars

On the face of it, the SB appears to be AAOIFI's most powerful body. AAOIFI's Statutes states that the SB has the power "to review the accounting, auditing, governance and ethical standards . . . . and to ensure that they are in conformity with the Islamic Shari'a" (AAOIFI, 2015g). In practical terms, the SB finds itself a missing authority as its members often lack accounting and banking expertise to counter the interests of IFIs and their representatives. Lévy and Rezgui (2015) revealed how the AASB often exercise pressure on the SB to converge AAOIFI's standards closer to IFRSs and allow IFIs flexibility. This happens either because of pressure by powerful IFIs within AAOIFI, or because many of AASB members are experts in IFRSs.

In addition to AASB's pressure, SB members appear to have a strong organisational affiliations with IFIs. Seventeen out of 20 members sit on one or more banks' SSBs (see Table 1), making a direct link between IFI's interests and the setting of Islamic accounting standards. Furthermore, some SB members have direct interactions with IFIs as advisors or consultants, or indirect interaction through institutions that act as an alternative to Shari'a boards of many IFIs and conventional firms (Wright, 2006). A survey of an investment strategy consultant (Funds at Work) in 2012 showed that the top 3 scholars hold 20.9% of total board positions and the top 10 scholars hold 41.5% of all board positions in IFIs (IntelligentHQ, 2012). It also showed that one SB member sits on 22 SSBs. IntelligentHQ (2012) and Reuters (2012b) further highlighted weaknesses in the Shari'a-scholar system more generally including, lack of transparency in the way that Shari'a boards reach their findings, contradictory Shari'a-based interpretations, the absence of definitive legal authorisation and conflict of interests.

Muhammad Qattan, a Shari'a scholar, considers this "an industry problem, with the famous scholars being sought after and others not being utilised" (IntelligentHQ, 2012). This is likely to create conflict of interests in developing and approving of

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standards, since these scholars sit on the boards of the standard-setting bodies and at the same time receive unusually high compensation for being Shari'a board members for IFIs (Reuters, 2012b).

Despite these issues with the Shari'a scholars' system, it remains a significant legitimising source for IFIs in their image-construction as competitive, innovative as well as Islamic. Maurer (2002, p. 650) explains "supervisory Boards, for their part, can gain legitimacy for their decisions by referring to the AAOIFI standards, and at the same time provide a clerical seal of approval for the standards themselves".

To balance these somewhat contradictory images, IFIs often approach few reputed scholars with unique expertise, industry experiences and brand image to approve their increasingly aggressive and innovative product development strategies (Wright, 2006). An example is the way that the SSB Shari'a Funds Inc has recently approved a highly controversial hedge fund as Shari'a compliant (Wright, 2006). When seeking to approve highly questionable products, IFIs often "shop" for *fatwas* that support their views, exploiting differences in interpretations between scholars. For instance, in response to Taqi Usmani's criticisms of *Sukuk*, Afaq Khan, argued that *Sukuk* is approved as Shari'a-compliant by other scholars. He explained: "Nobody comes to the *Sukuk* market without a *fatwa* (religious ruling) . . . so at least some Shari'a scholars approved it" (Islamic Finance Resource, 2008).

Scholar's *fatwas* have also been used to support IFIs move away from AAOIFI. The International Shari'a Research Academy for Islamic Finance (ISRA) opined in its ISRA3 research paper that it perceives "no contradiction between the IFRSs underlying principles and *Shari'a*, specifically on form over substance, time value of money, fair value measurement and recognition based on probability" (Hussan & Sulaiman, 2016, p. 112). ISRA's recommendation, therefore, is for IFIs to comply with IASB with guidance on additional disclosures to Muslim users, a position significantly similar to that of IFIs' and Islamic countries' regulators.

While generally Shari'a scholars closely aligned with IFIs realise that their continuous engagement with the industry requires endorsement of the market-logic, practicality and flexibility, occasionally resistance from Shari'a scholars like Taqi Usmani emerges. For Usmani, it is time for AAOIFI to change its direction and gain more regulatory authority within the industry, moving closer to meeting Islamic law objectives rather than narrow economic ones. He argued " . . . .Islamic institutions should cooperate among themselves for the purpose of developing authentic products that . . . serve the higher purposes of Islamic law" (cited in Anderson, 2010, p. 243). Usmani's position on *Sukuk* was aimed to push the industry and AAOIFI towards more rigorous Islamic standards that address the moral problems, which resulted in the global banking financial crisis (Anderson, 2010). IFIs, however, expressed concerns that this new regulatory authority reflected in the *Sukuk* controversy "will deter innovation and thus make Islamic financial products increasingly inefficient compared to conventional products" (Anderson, 2010, p. 243). Nonetheless, the recent direction of AAOIFI towards close collaboration with IFRSs is an indication that AAOIFI is not taking on a more stringent Islamic informed regulatory authority as envisaged by Usmani. But instead, religion is being further displaced from the process of setting Islamic accounting standards.

8. Summary and conclusion

This study contributes to debates in the literature on the continuities of imperialism in shaping accounting in a contemporary accounting setting. Employing and extending the "collaborative theory of imperialism", we showed that in the contemporary globalised context, "intellectual imperialism" and dominance of the accounting's Anglo-American logic are key to sustaining the accounting-imperialism nexus. In the case of AAOIFI, rhetoric under IAH logic was significantly employed by local elite collaborators to support market-orientated accounting standards, bargain for global market's access and to reconcile their interests with those of international capitalism. Here, we identified three key local collaborators (IFIs, regulatory bodies in key Islamic finance markets, Shari'a scholars); delineated their interests in aligning AAOIFI standards with the IAH logic under IFRSs and expounded on how they achieved this alignment. We also showed that while their interests are mainly served through the IAH logic; they all benefit from portraying AAOIFI as uniquely Islamic, responsible for ensuring Shari'a compliance by IFIs. Here, we elaborated on the way that AAOIFI negotiates two competing narratives about its nature and engages in an "identity staging" exercise to make IFIs appear Islamic to the Muslim public, while at the same time, its objectives, standards and thought operate to sustain the accounting-imperialism nexus.

The paper showed that AAOIFI's role in sustaining the accounting-imperialism nexus was mainly performed through providing narrow intellectual challenge to the Anglo-American logic under IAH. Alternatives suggested by AAOIFI were mainly limited to technical notes to the accounts on interest-ban and *Zakat* calculations. AAOIFI's regulators made sure not to depart significantly from conventional practices fearing that such departure will signal building barriers to IFIs' trade and investment, reducing IFIs' support to AAOIFI's standards. AAOIFI's objectives and standards subsequently did not differ substantially from IASB's and like IASB, AAOIFI embraced concepts like private-self regulation and capital market-orientated standards and focused on the information needs of large multinationals represented by most powerful IFIs. Religion was displaced from the process, with the exception of playing a role in Islamic identity staging for IFIs. This included employing rhetoric related to the uniqueness of Islamic requirements of accounting and finance; the enlisting of *ulama* in shaping the identity and legitimacy of Islamic finance and accounting and the use of Islamic symbols and Arabic names in their transactions with the Muslim public.

This religious/traditional "identity staging" exercise by local collaborators is essential for the continuity of imperialism without empire. Local elites' authority depends largely on their ability to "square" their "modern" interests aligned with external elites with the rigidities of "traditional/religious" functioning of Muslim societies (cf. Robinson, 1972). Still, AAOIFI's

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adoption of the IAH rhetoric counters initial notions in Islamic economics' thought to construct a unique Islamic identity and to offer an Islamic alternative that challenges global imperialism and capitalism.

The paper showed how old collaborators, like regulatory bodies in key Islamic finance markets, are joined by new groups of elites emerging in the Muslim world with the emergence of IFB such as Muslim bankers associated with IFIs and Shari'a Scholars, enforcing the continuity of the accounting-imperialism nexus. They, as well as governments in key Islamic finance markets, have little desire to depart from the capitalist mind-set. This resulted in that Islamic finance and accounting embody very little substance of Islamic principles of unity, equity or social justice and human development (Kamla, 2009; Kuran, 2006; Maurer, 2002).

In an attempt to align AAOIFI with the IAH logic, alternatives to the market-logic of developing accounting standards are undermined on grounds of "higher cost", "impracticality", "hindering market-competition", "growth and innovation". Local actors, especially those associated with IFIs and regulatory bodies, who are mostly "acculturated" in Anglo-American accounting and finance, successfully diffused the IAH rhetoric into the Islamic accounting agenda, arguing that differences with religious requirements are therefore minimal.

IFIs produced a new breed of elite Muslim bankers, mainly trained and educated in western, conventional banking and finance logics (Kahf, 2004). They viewed that the growth and expansion of IFIs is best served by liberalisation policies and reduced government control. Thus, they supported the IAH under the IFRS project, aiming for minimal regulatory or practical differences from their conventional counterparts. We demonstrated how IFIs, as founders, funders and board members of AAOIFI, functioned to influence the development of the standards in line with IFRSs and IAH market logic, rather than Islamic principles; retaining flexibility and "market innovation" in the standards; displacing religious requirements from the standards and even moving away from AAOIFI's standards to accommodate conflicts between religiosity and market requirements.

Professional regulators in key Islamic markets also played a role in embracing IFRS instead of FAS. In a desire to facilitate their countries' drive to market themselves as Islamic hubs, they strived to converge FAS with IFRS. They justified this on grounds that differences between FAS and IFRS are minimal and thus emphasised that IASB is the most suitable for developing accounting standards for IFIs. These regulatory bodies generally kept regulation related to Islamic banking identical to that of conventional banks, making IFRS naturally more suitable for IFIs.

Shari'a scholar engagement with Muslim bankers to form IFIs provided a significant linkage between "modern" international capitalists' interests and "traditional" functioning of Muslim societies. A number of Shari'a Scholars in return benefited significantly from the expansion of Islamic finance. Their involvement with AAOIFI is considerably conflicted with their close involvement with IFIs. Shari'a scholars generally supported IFIs' regulatory choices, and even sometimes issued *fatwas* (as the case with ISRA) describing the adoption of IFRS as Shari'a compliant. On some occasions, however, powerful Shari'a Scholars attempted to resist the general direction preferred by IFIs and defend an Islamic perspective to some AAOIFI's standards. The case of *Sukuk* was an example. This resistance, however, is often countered by emphasising the need for practicality and cost effectiveness. This eventually prompted IFIs to move further away from FAS, significantly undermining the role of AAOIFI in accounting standard-setting. Despite few frictions, Shari's scholars, as main markers of AAOIFI and IFIs' religious identity, will not significantly suffer under AAOIFI's suggested convergence with IFRSs. They retain their privilege in the process by developing Shari'a governance standards and provide "interpretations" related to individual IFRSs standards, which bankers suggest be included as notes to the accounts.

Therefore, while Muslims do criticise and rebel against western political and economic imperialism, the accounting-imperialism nexus is re-enforced and sustained as it largely escapes their critique. Discourses related to AAOIFI lacked radical, intellectual, universal or contemporary vision of what Islamic accounting should entail, and lacked cooperation to find commonalities with other religious or ethical systems (Kamla, 2009, 2015). The global success and hegemony of the Anglo-American accounting logic, therefore, is a form of "intellectual imperialism", controlling the sources of knowledge about accounting. It is, however, largely (mis)recognised as such and, therefore, considerably effective in sustaining local collaborators and Anglo-American interests and "imperialism without empire" in the Muslim world.

The dominance of the IAH logic over accounting thought is not surprising in a globalised accounting profession, but its occurrence despite the radical promises of the Islamic finance and economic movement illustrates the strength of its intellectual hegemony supported by global accounting firms and professional accounting associations. We are not implying here the complete rejection of everything that the west or IFRSs stand for, but to utilise accounting to serve the public and society, rather than merely sustaining efficient financial markets and economic regimes designed largely to serve internal and external elites' interests. Issues essential to Muslim world's socio-economic development including the environment, human rights, social and gender equality and education that were displaced from AAOIFI's discourses could play a larger role in guiding the process of developing Islamic accounting standards and thought. Meanwhile, it remains to be seen whether AAOIFI's strive for global acceptance and integration and its displacement of Islamic principles from the process, will render it redundant in the future as an accounting standards-setter body altogether.

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