




Identifying a Convergence between Non-Financial Information and Islamic Accounting for Islamic Decision Usefulness: A Review and Synthesis

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Abstract: This study aims to explore a framework of developing the Islamic decision usefulness (IDU) concept through a review of non-financial information and Islamic accounting under the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) literature for convergence and the extent to which this convergence will inspire future empirical-research opportunities for the increased Islamic decision usefulness (IIDU). Exploring and delineating historically non-financial information literature to be linked with Islamic accounting trends through content analysis, this study suggests that decision usefulness of non-financial information has flourished from being complementary to the strategic role of information, adopting the ideas of creating shared value (CSV), and sustainable value-creation (SVC). To this point, the enhancement of decision usefulness emitted from non-financial information and Islamic accounting literature points to the same pole (convergence), exposing the firms' relevant-sustainable shared-value for 3Ps (profit, people, and planet) blended with Islamic accounting concepts, whereby welcoming many future empirical-research opportunities for the increased Islamic decision usefulness (IIDU).

Keywords: *Islamic Decision Usefulness, Non-Financial Information, Islamic Accounting, AAOIFI, Historical Cost Accounting, Current Value Accounting, and Sustainable Value-Creation.*

Article History

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Introduction

This study is led to explore a framework of developing the Islamic decision usefulness (IDU) concept through reviewing non-financial information and Islamic accounting literature, identifying a convergence between the two streams of literature, and trying to provide future empirical-research opportunities for the increased Islamic decision usefulness (IIDU).

The fact that conventional accounting is considered to have many weaknesses resulting in the narrowly-interpreted concept of decision usefulness¹ by many accounting scholars is convincingly evident. The weakness of conventional accounting has caused environmental damage, violation of human rights, disharmony in society, a dichotomy between religious and economic activities, etc. so that as a whole it is not in line with the human-beings that adhere to a social and godly nature (Haniffa, 2002; Haniffa & Hudaib, 2002; 2011). Therefore, the concept of decision usefulness with a 'narrow' meaning, which, at first, has been widely studied by financial accounting researches since Ball and Brown (1968) has developed into the concept of decision usefulness with a broader meaning. As such, conventionally, financial information, which is estimated to contribute only 20%, is driven to equip

¹ A concept that demonstrates the extent to which information (usually financial information) is useful (generally for investors and creditors, and other users such as governments and others) using two perspectives, i.e., the information perspective and the measurement perspective. Regarding the information perspective, some approaches, *inter alia*, Efficient Market Hypothesis (EMH), are applied by measuring whether or not the information is relevant, conveying economic significance for business decision-making (often called 'information content') using the attributes, such as earnings response coefficient (ERC), cumulative abnormal return (CAR), the variance between market prices and book value, etc. Meanwhile, from the measurement perspective, the approaches and theories generally adopted include the clean surplus theory (CS), which is a tight link between fundamental value (firm value measured by accounting measurements) and firm value, using attributes such as covariance between market prices and intrinsic value, residual income (unrecorded goodwill), earnings persistence, and a ratio of current assets divided by total asset (this term is adapted from Scott, 2006; Qizam, 2011).

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itself with non-financial information (Herath and Albarqi, 2017), which, until now, has inspired many theories accommodating various interests to drive philosophically the business concept and strategy to shift.²

Many researchers have tried to provide evidence that the use of financial and non-financial information synergistically will produce better and more efficient decisions, e.g., Tang and Chang (2010), who build a model to facilitate the decision-making process in a capital budgeting investment under some constraints, strategies, and goals of firms; Cardinaels and Van Veen-Dirks (2010), who document that financial and non-financial measures are differently weighted by evaluators depending on how performance measures are organized and presented; and Coram et al. (2011), who provide evidence that the use of financial and non-financial performance indicators in investment decision processes are asymmetric depending on financial information trends, whether they are positive or negative. If they are positive, more attention is paid to financial information, and *vice versa*, when they are negative, more emphasis on non-financial information should be placed. These findings are consistent with prior literature, e.g., Amir and Lev (1996), Ittner and Larcker (1998), and also Banker et al. (2000). Conclusively speaking, both financial and non-financial information is essential and has value-relevance in decision making for investors, creditors, business practitioners, and other stakeholders.

Non-financial information attributes have been applied in the decision-making process and many studies have been conducted, e.g., Huang and Cheng (2013) who employ the analyst forecast dispersion (AFD) to denote the proxy of information ambiguity, intended to convey judgments of financial analysts towards the firm's information risk; Kaplan and Norton (1992: 71) who propose non-financial performance measures as complementary measures of financial statements, e.g., customer satisfaction, internal business processes, and the organization's innovation and improvement activities; Yang (2003) who measure attributes of non-financial information using intangible assets (the quantity and quality aspects of patents in biotech industry); Amir and Lev (1996) who shows evidence that non-financial information is high of value-relevance and is complementary to each other with financial data. Sierra-Garcia et al. (2018) also point out that in Europe, the presentation of non-financial information has been considerably boosted, i.e., through European Union Directive 2014/95/EU (EU 2014) that strongly suggest each country to adopt a non-financial statement addressing environmental and social issues (see, *inter alia*, Tarquinio et al., 2018), employee matters, respect for human rights, and the fight against corruption and bribery. However, in its development, the direction and dynamics of non-financial information also do not have strong philosophical roots so that many varied theories emerge that are still unfocused. In addition, measurement and disclosure models also raise some constraints because non-financial information is more varied, making it difficult to determine which items are important and which are less important, and how to measure and disclose them.

The weaknesses of conventional accounting, which are mostly directed at the concept of 'narrow' decision usefulness, have also been criticized by Muslim scholars since the introduction of Islamic accounting by Abdel-Magid (1981) to respond to the emergence of Islamic banking where the concept of decision usefulness is directed to a broader context that not only focuses on reflecting economic activities but also religious activities. This idea was then institutionalized into the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) in 1991. Many Muslim scholars, then, follow and support this idea, e.g., Haniffa (2002), Haniffa and Hudaib (2002; 2011). Islamic accounting has also experienced dynamics but remains focused on issues that better interpret the broader concept of decision usefulness. Unfortunately, however, Islamic accounting still experiences many problems due to various reasons, *inter alia*, the limited number of empirical research in Islamic accounting, differences in local wisdom of each country, and many others.

Given the development of the conventional accounting models that lead to accommodate non-financial information that not only focuses on profit but also people and the planet (triple-bottom-line theory) and Islamic accounting, also trying to accommodate all stakeholders, social, environmental issues through *zakat* scheme as well as other religious dimensions, it is necessary to investigate the

² Many theories and themes have appeared, *inter alia*, value-relevance, CSR, strategic CSR, creating shared value, sustainable shared value, legitimacy theory, stakeholder theory, and signalling theory as adopted in Amir and Lev (1996), Ittner and Larcker (1998), and also Banker et al. (2000), Herath and Albarqi (2017), Tang and Chang (2010), Bhimani and Langfield-Smith (2007), Cardinaels and Van Veen-Dirks (2010), Coram et al. (2011), Orens and Lybaert (2007), Ahmad and Zabri (2016).

direction and the dynamics of non-financial information, and what are the insights from its convergence with Islamic accounting to lead to a more comprehensive concept of Islamic decision usefulness, and what research opportunities can be carried out in the future regarding this convergence so that, in turn, Islamic accounting is also more down to earth and has stronger roots of its uniqueness and practicability.

These previous studies, unfortunately, have never explored, to the best of the author's knowledge, how non-financial information could be convergent with Islamic accounting under AAOIFI for the increased decision usefulness. Much research generally investigates the details of non-financial disclosure partially, but not how the usage of non-financial information and Islamic accounting under AAOIFI to increase decision usefulness are jointly synchronized through a comprehensive understanding of their convergence. This study is intended to develop a framework of increased 'Islamic' decision usefulness concept which could come from a convergence between non-financial information and Islamic accounting practices under AAOIFI, and how their convergence could inspire future research opportunities for the increased 'Islamic' decision usefulness.

To deal with this issue, the next discussion will consist of research method, results and discussion comprising the chronological overview of the non-financial information, Islamic accounting: principles and trends, the convergence and divergence between non-financial information and Islamic accounting under AAOIFI, future empirical-research opportunities, and conclusion.

Methods

To come to these ends, this research will apply some procedures of literature review through content analysis to be blended with a historical approach. This is one of the qualitative methods which encompasses the material collection and data reduction, descriptive analysis and data display, category selection, material evaluation, and concluding (see Kassarian, 1977; Sekaran and Bougie, 2010; Seuring and Gold, 2012).

Material Collection and Data Reduction

First of all, some words and concepts are selected as the keywords to explore and to collect extant literature through exploring some primary databases such as science-direct from Scopus at www.scopus.com, Emerald Insight at www.emeraldinsight.com, Springer at www.springerlink.com, Wiley at www.wiley.com, ResearchGate at www.researchgate.net, JSTOR at www.jstor.org, CAIRN at www.cairn.info, SSRN at www.ssrn.com, SAGE Journal at journals.sagepub.com, and Taylor and Francis at taylorandfrancis.com, and some other publishers/databases. The selected keywords encompassed, *inter alia*, "non-financial decision usefulness", "non-financial information" and "attributes of non-financial information" such as social responsibility, sustainability, environmental accounting, green accounting, triple bottom line, profit-people-planet (3P), etc., and institutions and rules related to accounting regulation processes such as CAP (committee of accounting procedure), IASB, FASB, IFRS, GAAP, and their sub-rules and sub-regulatory bodies were also explored from the extant literature.

The non-financial information articles (79 articles), then, were collected, each of which is related to theoretical reviews and empirical research. The group of articles pointing to theoretical reviews of non-financial information research (31 articles) encompasses five groups of theme-categories (from R1 to R5). They include 8 articles for R1; 8 articles for R2; 2 articles for R3; 9 articles for R4; 4 articles for R5 (see Panel A of Table 1), while the results of article categorization addressing empirical market-based accounting research of non-financial information include nine groups of theme-categories (from E1 to E9) (48 articles), consisting of 9 articles for E1; 15 articles for E2; 7 Articles for E3; 4 articles for E4; 2 articles for E5; 4 articles for E6; 2 articles for E7; 3 articles for E8; 2 articles for E9. All these collected studies are depicted in detail (in groups of labeled themes) in Panel B of Table 1.

All the theme-grouped literature was then re-arranged, re-categorized, reduced, and analyzed to meet specific themes such as the chronological process of non-financial information has happened; how the chronological process of non-financial information literature is like; and how the decision usefulness concept is applied in non-financial information.

Table 1. Theoretical-Review Research Collection of Non-Financial Information

<i>Panel A. Theoretical-review research collection of non-financial information</i>				
No	Theme Categories	Themes	Number of articles	Researchers
1	R1	CSR reporting and its impact	8	Noronha et al. (2013), Epstein et al. (1976), Epstein (2003), Carroll (2008), Chaffee (2017), Agudelo et al. (2019), Heald (1970), and Lee (2008)
2	R2	Normative theories of open system theory, triple bottom line, strategic CSR, environment, liquidity, integrated reporting etc.	8	Emery (2000), Porter and Kramer (2006), Lantos (2001), Orij (2010), Guidry and Patten (2012), Haller et al. (2014), Paton (1958), and Elkington (1997)
3	R3	Social and environmental accountability research	2	Parker (2011) and Berthelot et al. (2003)
4	R4	Integrated reports & international IR framework	9	Adams et al. (2011), de Villiers et al. (2014), La Torre et al. (2020), IIRC (2013a), IIRC (2013b), IIRC (2014), IIRC (2015), IIRC (2016), and IIRC (2017)
5	R5	Intellectual capital literature & human resource	4	Abhayawansa and Guthrie (2010), Ienciu and Matis (2012), Petty and Guthrie (2000), and Guthrie et al. (2012)
Total			31	
<i>Panel B. Empirical accounting research collection of non-financial information</i>				
1	E1	Social reporting-social reporting disclosure; CSR reporting practices; social performance-social disclosure-economic performance	9	Mirza (1991), Itner and Larcker (1998), Bonsón and Bednárová (2015), Lemus (2016), Husted and Allen (2007), Mathews (1984), Ullmann (1985), Haniffa (2002), and Arsad et al. (2019)
2	E2	Strategic CSR; creating shared value; sustainable-value creation; corporate social, environmental reporting; corporate social environment-legitimacy theory test; Global Reporting Initiative	15	Chandler (2016), Lehman (1992), Deegan et al. (2002), Gray et al. (1996), Gray et al. (1995), Clarkson et al. (2013), Cho and Roberts (2010), Owen (2008), Parker (2005), Mathews (1997), Cohen et al. (2012), Porter and Kramer (2011), Tarquinio et al. (2018), Werther and Chandler (2005), and Burritt and Schaltegger (2010)
3	E3	Integrated report quality; integrated reporting-decision usefulness from equity market perspective	7	Iredede (2019), Atkins and Maroun (2014), Baboukardos and Rimmel (2016), Cosmulese et al. (2019), Slack and Tsalavoutas (2018), Pavlopoulos et al. (2019), and Bernardi and Stark (2018)
4	E4	Firm value, firm performance, financial analyst evaluation	4	Lee and Yeo (2016), Banker et al. (2000), Coram et al. (2011), and Ahmad and Zabiri (2016)
5	E5	General	2	Sierra-Garcia et al. (2018) and Amir and Lev (1996)
6	E6	Human resource; intellectual capital accounting; management team perspective	4	Arvidsson (2011), Abhayawansa and Guthrie (2012), Liu and Wang (2012), and Guthrie et al. (2001)
7	E7	The effect on the analyst's forecast accuracy; journalist-stock value	2	Orens and Lybaert (2007) and Dougal et al. (2012)
8	E8	Value relevance-inform content of intangibles-earnings press release language-biotechnology industry	3	Yang (2003), Davis et al. (2012), and Wyatt (2008)
9	E9	Philanthropy-Victorians; dynamics system theory	2	Harrison (1966) and Bala (2010)
Total			48	

Henceforth, in Islamic accounting, due to a limited number of Islamic accounting literature, identification was conducted by exploring some influential works and institution discussing Islamic accounting, such as Abdel-Magid (1981), Haniffa (2002), Napier (2009), Hamid et al. (1993), Al-Obji (1989), Archer and Karim (2001), Al-Jalf (1996), Daoud (1996), Karim (1990a; 1990b; 1995; 2001), Gambling and Karim (1986; 1991), Kamla et al. (2006), Mirza and Baydoun (2000), Baydoun and Willett (1997; 2000), Lewis (2001), Haniffa and Hudaib (2002; 2007; 2011), and AAOIFI (2020).

Descriptive Analysis and Data Display

Upon the above step, the trajectory of decision usefulness for non-financial information could be traced chronologically through exploring extant literature from the periods of pre-1950s and 1960s up to a period of 2010s - present. The descriptive analysis and data display then applies to the chronological paths of non-financial information literature. The descriptive analysis and data display on the arranged and systematically-reduced literature of non-information was henceforth exposed to follow the chronological paths with two main dimensions: complementary information for firms' value-driven for non-financial information and strategic information for firms' sustainability and creating shared-value driven. Through this data display, the events of non-financial information were chronologically plotted to swing between the two directions between strategic information for firms' sustainability and creating shared-value-driven and complementary information for firms' value-driven (see Figure 1).

Meanwhile, trends in Islamic accounting were described following categorization on Islamic accounting issues identified by Napier (2009) with additional elaboration from many scholars (as abovementioned) and institutions (e.g., AAOIFI) discussing Islamic accounting from 1981 to 2020. These Islamic-accounting trends were then portrayed following the swing between prescriptive-descriptive-broad (partial) information for 'internal' *Ummah*-need purposes (the first path) and a relevant and comprehensive (detail) information for the strategic, *Ummah*'s-welfare-oriented, global need, and sustainability purposes (the second path). It looks that Islamic accounting swings to move from the first path to the second path (see Figure 2).

Category Selection, Material Evaluation, and Drawing Conclusion

To come to a clear understanding of the linkage between the chronological paths of decision-usefulness from extant literature of non-financial information through the regulation process and from the empirical research point of views, the two figures (see Figure 1 and Figure 2) were provided to help apply a convergence analysis (categorization, evaluation and drawing conclusion) to identify the insights from the convergence for increased Islamic decision-usefulness. As such, this convergence, in turn, will provide and trigger many future research opportunities (see Figure 3).

Results and Discussion

The Chronological Overview of Non-Financial Information

Before the 1950s and 1960s, non-financial information has not linked to specific information, but instead, there appeared to be awareness amid socio-cultural conditions. One of the emerging corporate issues was the social responsibility of a corporation. This could root from the ancient Roman Laws. Since then, the ideas of social enterprises were adopted by the English Law by the Middle centuries. Under the influence of the English Crown, the insights about firms as agents for social development has been spreading to the 1600s and 1700s (Chaffee, 2017). Under the influence of land conquest by the English Crown and Christian values, this idea of social responsibility by corporations has been expanded to its American colonies and other countries during the 1970s and 1980s. Specifically, it was the early 1950s when the first modern term of corporate social responsibility (CSR) was firstly introduced and was then progressively applied (Carroll, 2008; Harrison, 1966; Heald, 1970; Lee, 2008), e.g., the linkage between CSR and management (1970s); detail and operational practices of CSR (1980s). Epstein et al. (1976), *inter alia*, explored and reviewed non-information literature focusing on reporting and quotes from annual reports; Mathews (1984) classified social accounting into social

Figure 1. The Trajectory of Non-Financial Information towards Increased Decision Usefulness

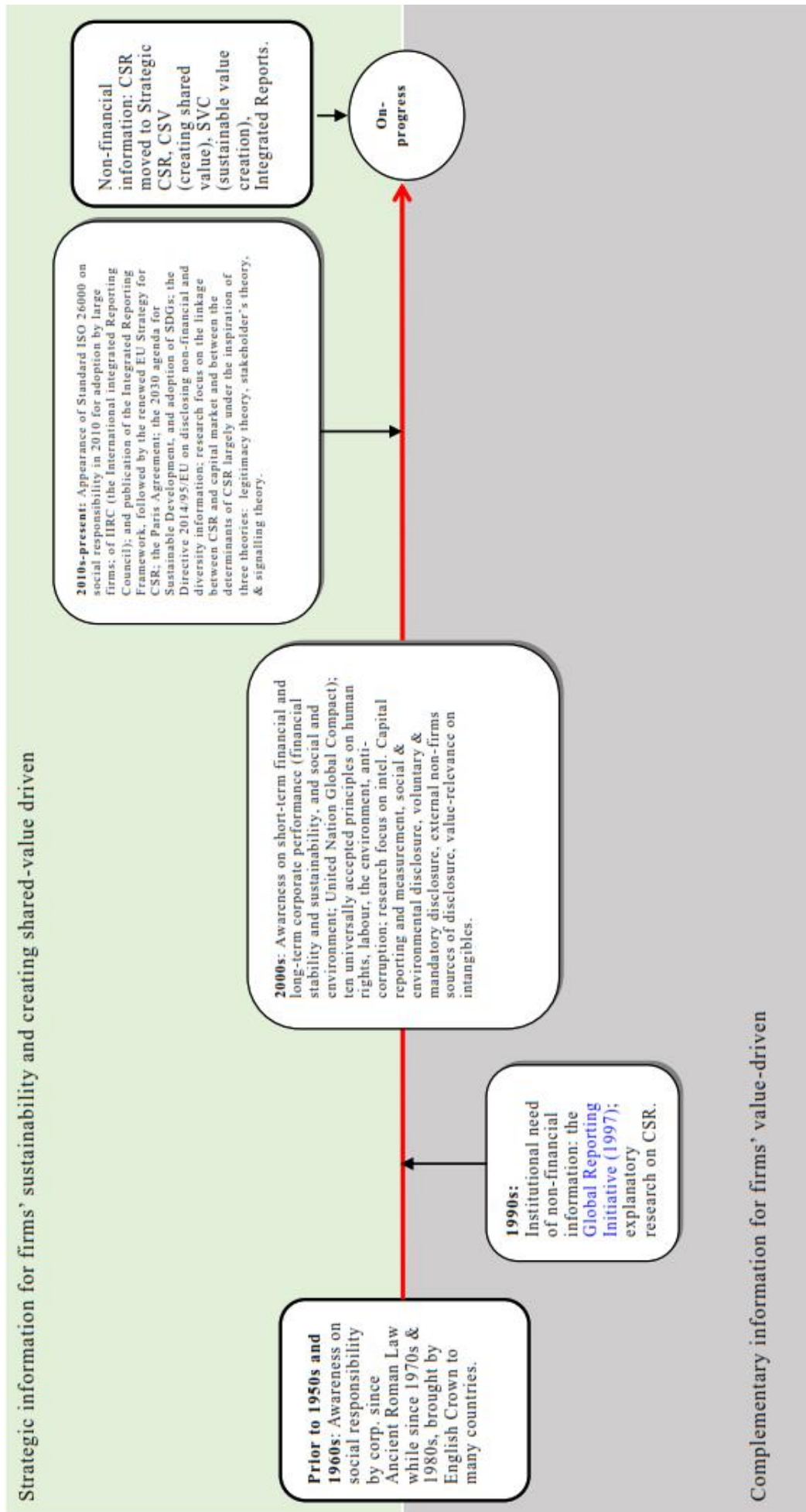
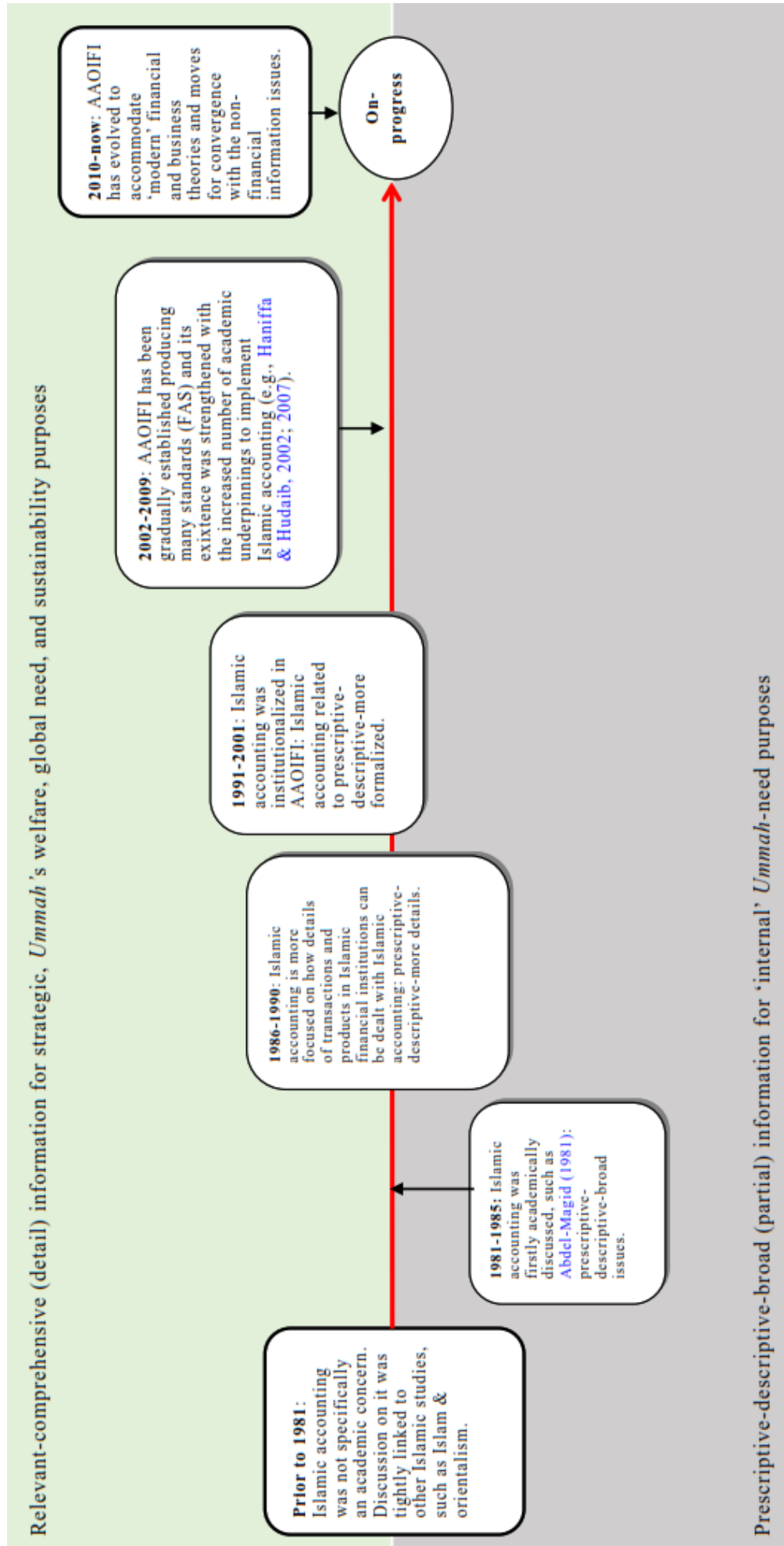


Figure 2. The Trajectory of Islamic-Accounting Dynamics for Increased Islamic Decision Usefulness



responsibility accounting, total impact accounting, socioeconomic accounting, social indicators accounting; and Ullmann (1985) investigated the linkage between social disclosure and social performance.

From 1990 to 1999, the Global Reporting Initiative, a US non-profit organization, was founded in 1997 as a response to the need for non-financial information. Setting guidance on sustainability reporting is one of its functions usually related to reporting the economic, environmental, and social impacts attributable to firms' daily activities. While financial information was well controlled and guided by GAAP, unfortunately, non-financial information was still neglected and lacked attention. In the case of CSR, the international issues mostly began appearing in this decade with the existence of the European Environmental Agency (EEA) in 1990 and the Kyoto Protocol in 1997. In this decade, non-financial information highlights issues such as explanatory theories for CSR (political economy, legitimacy theory, and stakeholder theory) (Gray et al., 1995), and environmental and social accounting (Mathews, 1997).

From 2000 to 2009, upon the 2008 financial crisis, attention from the business was led to swing from the short-term financial performance (merely concerned with the complementary nature of non-financial information) to the long-term corporate performance (more focusing on financial stability, the social and environmental impact of their business, and sustainability) (see Figure 2). To endorse this concern, some institutions were founded (the United Nations Global Compact in 2000, 10 universally accepted principles on human rights, labor, the environment and anti-corruption, and the establishment of the United Nations Framework Convention on Climate Change (UNFCCC) in 2002). During this decade, such issues as intellectual capital reporting and measurements (Petty and Guthrie, 2000; Guthrie et al., 2001); social and environmental disclosure (Deegan et al., 2002; Epstein, 2003; Parker, 2005; Owen, 2008); voluntary disclosure and external non-firm sources of disclosure and mandatory disclosure (Berthelot et al., 2003); value-relevance of non-financial information on intangibles (Wyatt, 2008) become the core inquiries.

During the 2010s-present, some CSR-related institutions and standards were founded, *inter alia*, Standard ISO 26000 on social responsibility in 2010 (socially responsible corporate principles into their business activities), the International Integrated Reporting Council (IIRC) in 2010, boosting the inclusion of more items from various aspects of value-creation, the Integrated Reporting Framework in 2013, from which many countries has followed, e.g., by the German sustainability code of 2011, the European Commission with the renewed EU Strategy for CSR for the years 2011-2014, the Paris Agreement in 2015, moving from business as usual to new business frameworks, the 2030 Agenda for Sustainable Development, and the adoption of SDGs (Sustainable Development Goals) representing "the shared vision of humanity and a social contract between the world's leaders and the people", and in 2018, the Directive 2014/95/EU having large public-listed companies disclose non-financial and diversity information on their 2018 reports and onwards (Agudelo et al., 2019). In this decade, much research prominently highlighted both the linkage between CSR and the capital market and between CSR and its determinants, mainly under the inspiration of three theories, i.e., legitimacy theory, stakeholder theory, and signaling theory.³

Islamic Accounting: Principles and Trends

Before 1981, Islamic accounting was still addressed in a mixed academic discourse with Islamic studies and orientalism (see Napier, 2009). Not until Abdel-Magid (1981) academically corrected the idea of

³ Research Literature, *inter alia*, encompasses: 1) the linkage between capital market and intellectual capital (Abhayawansa & Guthrie, 2010); sustainability accounting (Burritt & Schaltegger, 2010); environmental disclosure studies (Guidry & Patten, 2012); intellectual and human capital (Guthrie et al., 2012; Liu & Wang, 2012). Corporate Social Responsibility (Noronha et al., 2013); 2) The adoption of three theories in non-financial information, i.e., legitimacy theory (e.g., Cho and Roberts, 2010), stakeholder theory (e.g., Orij, 2010), and signalling theory (Clarkson et al., 2013) will be still continuously re-investigated for validation; 3) the linkage between non-financial information and various themes of management accounting/control; 4) the increased need for academic investigation to the determinants and consequences of non-financial information; 5) the integrated reporting concept: integrate investment decision, corporate behaviour, and reporting (de Villiers et al., 2014; Haller et al., 2014; Adams et al., 2011; Cohen et al., 2012), together with the investigation of *value-relevance* research on decision usefulness of non-financial information; 6) the quantity of disclosure on non-financial information: CSR, SCSR (strategic CSR) (Lantos, 2001; Husted and Allen, 2007; Porter and Kramer, 2006; Werther and Chandler, 2005), CSV (*Creating Shared Value*) (Porter & Kramer, 2011), and SVC (Sustainable Value Creation) (Chandler, 2016; Agudelo et al., 2019).

secularization (dichotomy) between economic and religious activities to address the importance of Islamic accounting for Islamic institutions, did Islamic accounting begin to get much interest. To him, economic activities committed by humans can be recorded, but, at the same time, should be accounted for religiously (compliance with sharia principles). More clearly, Haniffa (2002), Napier (2009), and Haniffa and Hudaib (2011) offers an Islamic accounting concept derived from sharia principles, i.e., through three objectives, namely *Al-Adl* and *Al-Ihsan*, *Ibadah*, and *Al-Falah*,⁴ and then it is derived into three dimensions, namely human, technical, and disclosure dimensions.

In the human dimension, its basis is morality, which is rooted in Allah's law so that humans should have the characteristics of *Mu'minoon* (believers to Allah), *Adalah* (justice), *Tazkiyah* (growth and purification), *Amanah* (trust), *Mas'uliah* (accountability), *Ilm* (knowledge), *Shura* (consultation), *Balagha* (eloquence), and *Hikmah* (wisdom). On the technical dimension, there are two points, namely pre-measurement (*halal* transaction and careful recording) and measurement related to *zakat* (religious levy), determination and distribution of profit, treatment of debt, assets, and taxes, while for the dimension of disclosure, the things that should be considered are the payment of *zakat*, *sadaqah* (charity),⁵ usury-free resources, employee and environmental welfare, attainment of the objective of business venture, and using resources fairly and efficiently. Thus, Islamic accounting appears as a response to a condition when Islamic financial institutions begin to grow rapidly. Since then, there was a strong awareness of the need for Islamic accounting which should be different from conventional accounting since Islamic financial institutions have unique and different characteristics from conventional ones. From this concern, Islamic accounting exists until now.

The early development of Islamic accounting began to appear from the work of Abdel-Magid (1981), and, then, was followed by others, *inter alia*, Hamid et al. (1993). The essence of these works is related to the general, prescriptive, and descriptive explanation of the Islamic-accounting characteristics that were different from conventional accounting. With its fairly-solid stand, Islamic accounting moves into a more detailed discussion. Islamic accounting began to be directed to investigate whether transactions and products of Islamic banks are indeed different from conventional banks so that they require different accounting treatments (Al-Obji, 1989; Archer & Karim, 2001). Also, discussion begins to address issues on how Islamic accounting can accommodate transactions and products of Islamic finance and banking, such as *murabaha* and *mudarabah* by Al-Obji (1989), Al-Jalf (1996), and Daoud (1996).

Along with the recurring discussions about Islamic accounting, issues raised in the development of Islamic accounting were, then, institutionalized in AAOIFI in 1991, which generate such standards as accounting, auditing, and governance standards. At that time, Karim (1990a; 1990b; 1995; 2001), as secretary-general of AAOIFI, took a lot of roles in the development of AAOIFI. During its development, Gambling and Karim (1986; 1991) strongly inspired the development of this institution (AAOIFI), which was directed to formulate Islamic accounting theory with its unique identity complying with sharia, to meet the needs of the *Ummah*, and to be more down to earth, accommodating real transactions and products facing the *Ummah*, trying to avoid usury (*riba*) and to pay *zakat*.

Since then, Islamic accounting under AAOIFI has been more concerned with studies to accommodate global accounting issues, such as environmental accounting (Kamla et al., 2006). Thus, at this point, Islamic accounting leads to converging with the dynamics of conventional accounting when conventional accounting issues lead to accommodate relevant non-financial items to disclose for the *Ummah*, also complying with sharia principles. From this angle, Islamic accounting issues under AAOIFI, then, have begun to be noticed by Muslim countries or countries with most Muslim

⁴ Islamic accounting for most Islamic scholars is considered to refer to some verses in Quran (Quran, 2: 282; Quran, 4: 86; Quran, 2: 42; Quran, 17: 36) to be derived to some other Islamic concepts reflected in Islamic accounting (Haniffa, 2002; Napier, 2009; and Haniffa & Hudaib, 2011), such as *Al-Adl* (justice) (Quran, 4: 58; Quran, 4: 135; Quran, 17: 35; Quran, 55: 9, etc.) and *Al-Ihsan* (welfare of society) (Quran, 16: 90; 2: 83; 28: 77, etc.), *Ibadah* (to worship Allah) (Quran, 51: 56-58), and *Al-Falah* (Human's comprehensive welfare in the world and the hereafter) (Quran, 2: 201; 3: 130; 3: 200 etc.).

⁵ These concepts refers to Quran verses, such as *Mu'minoon* (believers to Allah) (Quran, 23: 1), *Adalah* (justice) (Quran, 4: 58; Quran, 4: 135 etc.), *Tazkiyah* (growth and purification) (Quran, 87: 14, 91: 9-10), *Amanah* (trust) (Quran, 8: 27), *Mas'uliah* (accountability) (Quran, 17: 36), *Ilm* (knowledge) (Quran, 17: 85, Quran, 20: 114), *Shura* (consultation) (Quran, 42: 38), *Balagha* (eloquence) (Quran, 2: 82; 2: 159), and *Hikmah* (wisdom) (Quran, 16: 125). In addition, *halal* (transaction and careful recording) (Quran, 2: 275) and measurement related to *zakat* (religious levy) (Quran, 9: 103; Quran, 2: 43), determination and distribution of profit, treatment of debt, assets and taxes, while for the dimension of disclosure, the things that should be considered are the payment of *zakat*, *sadaqah* (charity) (Quran, 2: 3; Quran, 2: 195; Quran, 2: 215 etc.).

populations through harmonization or adoption (partially or fully). In addition to [Karim \(1990a; 1990b; 1995; 2001\)](#), the development of AAOIFI is much inspired by the recurring discussions from many scholars such as [Mirza and Baydoun \(2000\)](#), [Baydoun and Willett \(1997; 2000\)](#), [Lewis \(2001\)](#), [Haniffa and Hudaib \(2002; 2007\)](#) and many others, who continuously echo Islamic accounting. Furthermore, the emergence of International journals, specifically related to Islamic accounting, such as *the Journal of Islamic Accounting and Business Research* pioneered by Haniffa and Hudaib confirm these attempts.

In line with this concept, since 2011, along with the recurring discussions on Islamic accounting inspired by ‘modern’ financial and business theories (e.g., legitimacy theory, stakeholder theory, and signaling theory), AAOIFI has produced many standards consisting of sharia standards, codes of ethics, governance standards, and auditing standards which have now reached a total of 114 standards and has been continuously moving to update many Financial Accounting Standard (FAS) (the discussions to update FAS 12, 13, 14, 15, 16, 18, 19, 21, 22, 23, 24, 26, and 27 are now on-going process) ([AAOIFI, 2020](#)). However, the question is the extent to which these standards can be adopted by users, which countries, and how it is implemented. Countries adopting AAOIFI fully or partially are still limited, such as Bahrain, Jordan, Kyrgyz Republic, Mauritius, Nigeria, Qatar, Oman, Pakistan, Sudan, Syria, and Yemen, while some countries only consider AAOIFI accounting standards as the basis of developing national accounting standards such as Indonesia and Pakistan, and some other countries such as Kuwait. Dubai International Financial Centre (DIFC), Labuan, and Maldives consider it secondary. Even it is still regarded as voluntary standards for Bangladesh ([AAOIFI, 2020](#)).

Convergence and Divergence towards Increased Islamic Decision Usefulness (IIDU)

Looking at [Figure 2](#), decision usefulness of non-financial information also runs from the two different areas: the one was driven by the spirits of considering non-financial information merely complementary information for firms’ value (this applied between before the 1950s and 2000s), and the other was directed to regard non-financial information as the strategic information for firms’ sustainability and creating shared-values (coming into practices from the 2000s to 2010s). From the 2010s to the present, the inclusion of non-financial information is still in progress to be vehemently swung to apply the concept of sustainable value creation and integrated reports. Thus, the concept of decision usefulness from non-financial information comes to this pole: ‘the firms’ shared value which is relevant, sustainable, and pro-3Ps: people, planet, profit.

From the Islamic accounting concept derived from sharia principles, according to [Haniffa \(2002\)](#) as well as [Haniffa and Hudaib \(2002; 2011\)](#), some of those sharia principles are in line and moves to converge with non-financial information concepts, for example, from three objectives, namely *Al-Adl* and *Al-Ihsan*, *Ibadah*, and *Al-Falah*, two of them, i.e., *Al-Adl* and *Al-Ihsan* are at most in line with the firms’ shared value which is relevant, sustainable and pro-3Ps, often called the triple-bottom-line concept (people, planet, profit).

From the three sub-dimensions; human, technical, and disclosure as stated by [Haniffa and Hudaib \(2002; 2011\)](#), almost all these dimensions can also be adapted to modern non-financial information theories and themes except for *Halal* and *Mu'minon*, and *Riba* concepts. Human morality such as *Adalah*, *Tazkiyah*, *Amanah*, *Mas'uliah*, *Ilm*, *Shura*, *Balagha*, and *Hikmah*, technical dimensions such as careful recording and measurement related to *zakat*, determination and distribution of profit, treatment of debt, assets, and taxes; and the dimension of disclosure such as the payment of *zakat*, *sadaqah*, employee welfare, environmental welfare, attainment of the objective of business venture, and using resources fairly and efficiently, *qard*, and charitable contributions ([Mirza, 1991](#); [Haniffa, 2002](#); [Arsad et al., 2019](#); [Laughlin and Puxty, 1981](#); [Gray et al., 1996](#); [Lehman, 1992](#)) could also be synchronized and adapted with other non-financial information theories such as corporate social responsibility (CSR) disclosure, green accounting, creating shared value (CSV), and sustainable value-creation (SVC).

Thus, the convergence between non-financial information and Islamic accounting lies in social-humanity, environments, and the planet as a whole that must be paid attention by all people and by all religions of the world. Meanwhile, some uniqueness in Islamic accounting relative to non-financial reporting is that, in conventional accounting, increased social welfare is assumed to be attained if users’ need has been well provided, while Islamic accounting also emphasize not only how individuals could control resources, how economic events and transactions are dealt with, how the entity contributes to employee well-being, product quality, public health and safety, environment protection, and related

social aspects but also how it transcendently demonstrate responsibility, accountability, and transparency beyond society to include Allah. To this end, the concept of decision usefulness either from non-financial information or from Islamic-accounting information comes to converge, i.e., leading to the 'Islamic' decision usefulness, a concept that reflects the extent to which information (usually financial information) is useful for all stakeholders, all people, and the planet using not only the information and measurement perspectives but also the social, environmental, the-planet, transcendental and religious perspectives. Not only all the attributes from the information and measurement perspectives in the conventional-accounting paradigm but also all the social, environmental, the-planet, transcendental, and religious perspectives should be applied in measuring the extent to which information is useful, i.e., social prosperity index, poverty index, environmental-sustainability index, human development index, piety index, and any other social, environmental, economic, quality of life, and religiosity indicators.

Meanwhile, the divergence between non-financial information and Islamic accounting also still appears. Non-financial information still moves toward a business strategy for sustainability separated from religious activities, while Islamic accounting goes beyond that, i.e., all activities including economic and all business strategy activities must go to Allah, and all activities reflect *Ibadah*.

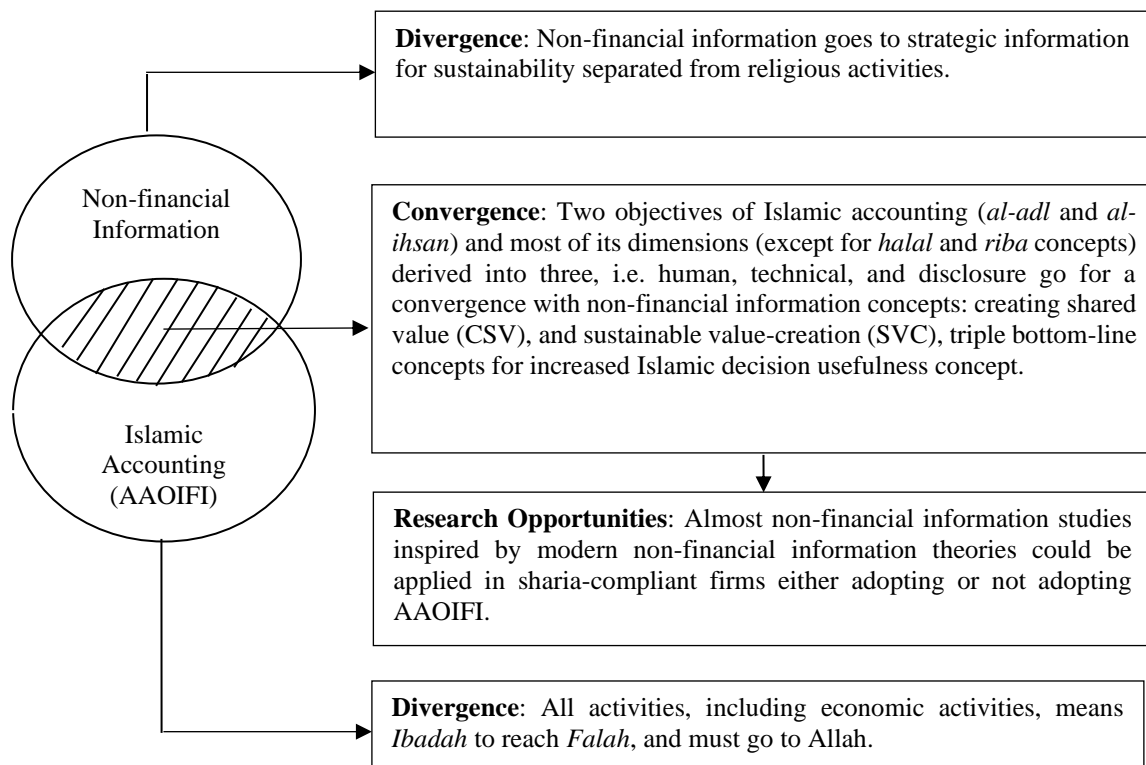


Figure 3. Convergence and Divergence between Non-Financial Information and Islamic Accounting
This figure is adapted from the non-information and Islamic accounting articles as abovementioned

Future Accounting Research Opportunities from a Convergence Framework between Non-financial Information and Islamic Accounting Information

Many opportunities for empirical accounting research will be very open for scholars and academics. Research issues could be conducted through many angles. The non-financial information research issues include, *inter alia*, audit-modes and strategy and corporate governance to examine the credibility of non-financial information (O'Dwyer, 2011; O'Dwyer et al., 2011; Gillet-Monjarret & Martinez, 2012; Rivière-Giordano, 2007; Olson, 2010; Depoers, 2010) and to investigate the linkage between non-financial information attributes and management and control (Janicot, 2007; Berthelot et al., 2003; Essid & Berland, 2011; Poincelot and Wegmann, 2005; Karim et al., 2018; Ikram et al., 2019). All of these themes and issues as abovementioned could also be applied in sharia-compliant firms in countries and institutions either adopting or not yet adopting AAOIFI.

Likewise, standardization and integrated-report issues could also be investigated in sharia-compliant-firm contexts in countries and institutions adopting or not adopting AAOIFI. These issues usually adopt the four theories: 1) system theory from Emery (2000) and Bala (2010) emphasizing sustainability through a value chain based on an open market system (consisting of social value, entity, and the environment) to promote equality among citizens in society, 2) triple bottom line (TBL) theory initiated by Elkington (1997) focusing on social sustainability performance, economic, financial environment or the 3Ps, 3) agency theory (minimizing the differences between companies' performance and the stakeholders' expectation), and 4) stakeholder theory (reducing the information asymmetry through making equilibrium among stakeholders, and CSR financial reporting) (see Bonsón and Bednárová, 2015) and the existence of IIRC (International Integrated Reporting Council in 2013). Also, referring to Lemus (2016), research should be led to examine the joint-theme studies of social-sustainability (social-economics-environment) (the 3Ps) and financial information to be applied in various publication themes such as the linkage between CSR disclosure requirements and sustainability in the stock exchange; integration among sustainability, financial statement, and the evolving measurement of SROI (social return on investment); linkage between quality of integrated report and corporate characteristics (Iredele, 2019); adopting socio-political theory (see Cho & Patten, 2007); examining the regulatory impacts of non-financial information from the 2013 European Commission: the determinants and the consequences (Damak-Ayadi, 2006; 2010), and many others.

Conclusion

Given the insights regarding the importance to review non-financial information studies upon exploring a great deal of research (from complementary to strategic, sustainable and creating shared value for non-financial information), discussion, and standard-setting process (from CAP to FASB and IFRS for financial information; from Ancient Roman Law to ISO 26000 and IIRC for non-financial information), this proposed framework of Islamic decision usefulness has been developed from identifying the patterns and nature coming from a significant number of previous research literature from both the non-financial information and Islamic accounting and AAOIFI studies.

Looking into the way the empirical research literature of non-information has chronologically passed, many findings have contributed to standard-setting and business decision-making practices (decision usefulness). Through the dynamics of discussion and standard-setting process, developing decision usefulness for constructing decision usefulness of non-financial information has flourished from even before the 1950s when the Ancient Roman Law firstly influenced the English Crown which regards the non-financial information (social responsibility information) as complementary to the presence of ISO 26000, IIRC, and the ideas of sustainable value-creation (SVC) and integrated reports which bring the non-financial information to the strategic pole of information for creating firms' shared value. To this end, the development of decision usefulness emitted from non-financial information points to the same pole (a convergence). The firms' shared value which is relevant, sustainable and pro-profit, pro-people and pro-planet, corporate social responsibility (CSR) disclosure, green accounting, creating shared value (CSV), and sustainable value-creation (SVC) go for convergence with Islamic accounting objectives such as *Al-Adl* and *Al-Ihsan*, and its dimensions such as human, technical and disclosure dimension; henceforth, the author may call this as 'increased Islamic decision usefulness (IIDU) concept.' The divergence between non-financial information and Islamic accounting also still exists. Non-financial information still moves toward a business strategy for sustainability separated from religious activities, while Islamic accounting goes beyond that, i.e., all activities including economic, and business strategy must return to Allah, i.e., all activities mean *Ibadah*.

Empirical research opportunities towards the increased Islamic decision usefulness could be conducted by utilizing the comprehensive point of view on non-financial information and Islamic accounting information (under AAOIFI) simultaneously or mutually supportively from one to one another. The non-financial information research issues such as audit modes and strategy and corporate governance to examine the credibility of non-financial information as studied by previous literature could also be replicated in the context of sharia-compliant firms either adopting AAOIFI or not adopting AAOIFI. Besides, standardization and integrated-report issues could also be examined in sharia compliant-firms adopting AAOIFI fully or partially or voluntarily.

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