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Islamization of Management Accounting and Business Decision-Making: A Literature Review

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Abstract

Conventional management accounting systems have largely evolved within Western economic paradigms that emphasize profit maximization, efficiency, and shareholder primacy. While these models have enhanced organizational performance, they have also been widely criticized for their ethical limitations, short-term orientation, and neglect of broader social and moral responsibilities in business decision-making. In response to these concerns, the Islamization of Knowledge (IoK) offers an alternative intellectual framework that integrates Islamic epistemology and ethical principles into modern disciplines. This study adopts a narrative and integrative **literature review** approach to examine the Islamization of management accounting and its implications for business decision-making. Drawing on conceptual, theoretical, and empirical literature, the review synthesizes Islamic principles such as Tawhid (unity of God), Amanah (trust), Adl (justice), Maslahah (public interest), and Hisab (accountability) and analyzes their relevance to planning, control, performance measurement, and managerial decision processes. The **findings** reveal that Islamized management accounting redefines accounting information as a moral and ethical instrument that supports accountability beyond shareholders, promotes social justice, and emphasizes long-term societal welfare. The study contributes to accounting and business ethics literature by providing a conceptual foundation for Islamized management accounting and identifying key **research gaps**, including the absence of comprehensive frameworks and empirical evidence. Future research directions for developing practical Islamized management accounting models are also proposed.

Keywords: Management Accounting; Islamization of Knowledge; Business Decision-Making; Islamic Business Ethics; Ethical Accounting Frameworks.

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Introduction

Management accounting occupies a central position in organizational planning, control, and business decision-making. Historically, the discipline has been dominated by conventional Western accounting models that emphasize efficiency, profit maximization, and shareholder primacy. Within this paradigm, management accounting information is primarily designed to support economically rational decisions, often evaluated through short-term financial indicators such as cost minimization, profitability, and performance efficiency. While such approaches have contributed to organizational effectiveness, they have also been increasingly criticized for their narrow economic focus and limited consideration of ethical, social, and moral consequences [1], [2].

In recent years, growing concerns over corporate scandals, unethical managerial behavior, and short-termism in business decisions have intensified criticism of conventional management accounting systems. Scholars argue that excessive reliance on financially driven performance measures encourages opportunistic decision-making, undermines accountability, and neglects broader societal and environmental responsibilities. Consequently, conventional management accounting has been viewed as ethically inadequate, as it provides limited guidance for incorporating moral values into managerial decision-making processes [3], [4], [5].

In response to these concerns, the Islamization of Knowledge (IoK) has emerged as an alternative intellectual paradigm that seeks to integrate Islamic epistemology and ethical principles into modern disciplines. Grounded in the Islamic worldview, IoK emphasizes concepts such as Tawhid (unity of God), Amanah (trust and responsibility), Adl (justice), Maslahah (public interest), and Hisab (accountability). These principles challenge purely materialistic approaches to business by asserting that economic activities are inherently moral and must serve both individual and societal well-being. From this perspective, business decision-making is not value-neutral but is subject to ethical and spiritual accountability [6], [7].

The application of Islamization to management accounting offers a reorientation of the discipline's objectives and practices. Rather than focusing solely on profit maximization, Islamized management accounting emphasizes ethical accountability, fairness in resource allocation, transparency in reporting, and long-term societal impact. Management accounting information, therefore, is not merely a technical tool for optimizing financial outcomes but a moral instrument that supports ethically acceptable and socially responsible business decisions. Despite the growing recognition of Islamic ethical principles in business discourse, their integration into management accounting remains

limited. Existing accounting systems largely lack ethical and moral grounding, and the incorporation of Islamic values into accounting-based decision-making frameworks is still underdeveloped. Moreover, the literature on Islamization in management accounting is fragmented, consisting of isolated conceptual discussions and limited empirical evidence. Comprehensive reviews that systematically synthesize management accounting and business decision-making from an Islamic perspective are notably absent.

Accordingly, the purpose of this study is to synthesize existing literature on the Islamization of management accounting and to examine how Islamic principles influence business decision-making. By integrating conceptual, theoretical, and empirical studies, this narrative literature review aims to identify key themes, debates, and gaps in the literature, while proposing directions for future research. The scope of the review is confined to management accounting, with particular emphasis on decision-making, planning, control, and performance measurement. Financial accounting and purely Islamic finance studies are excluded unless they directly contribute to understanding management accounting practices.

Method

This study adopts a narrative and integrative literature review approach, recognizing that the topic of Islamization of management accounting is conceptually rich and multidisciplinary. Unlike systematic reviews that prioritize exhaustive replication and statistical synthesis, narrative reviews allow thematic interpretation and critical integration of theoretical constructs, ethical principles, and diverse research traditions. A narrative approach is particularly suited to fields where literature is fragmented across disciplines and where conceptual clarification is needed, as evidenced in prior narrative review studies within accounting and Islamic accounting domains. Such an approach enables the identification of common themes and interpretive insights across a broad set of sources, ranging from conceptual frameworks to empirical discussions, grounded in Islamic epistemology and accounting research.

Review Design

The review design consists of a narrative and integrative literature review, structured around thematic synthesis. Narrative reviews involve collecting, synthesizing, and interpreting the literature to identify patterns, themes, and knowledge gaps. This approach has been applied in Islamic accounting research to map foundational concepts and identify research trends across decades of literature. Thematic synthesis, an analytical technique common in narrative reviews, helps organize literature thematically based on recurring concepts such

as Islamic ethical values (amanah, adl), accountability, and the role of management accounting in ethical decision-making.

Sources of Literature

Literature for this review was sourced from peer-reviewed academic journals, books, conceptual papers, and select conference proceedings that address Islamization, Islamic accounting, and ethical dimensions of management accounting. Peer-reviewed journals such as the *Journal of Islamic Accounting and Business Research* provide scholarly contributions to Islamic accounting and ethical business practices rooted in Islamic values. Books and foundational conceptual papers on Islamization of Knowledge, including those influenced by the work of scholars like Ismail al-Faruqi, establish the philosophical and epistemological framework for integrating Islamic principles with modern disciplines. Databases such as Google Scholar, Scopus, and Web of Science were used to locate and access relevant academic publications, ensuring coverage of both established and emerging scholarship in the field.

Search Strategy

A structured search strategy was used to identify relevant literature by employing a set of core and supplementary keywords. Primary keywords included "Islamization of knowledge," "Islamic management accounting," and "management accounting ethics." These terms were combined with secondary concepts such as "Islamic business decision-making," "accountability" (e.g. amanah), and "justice" (e.g. adl) to capture literature intersecting accounting practices with Islamic ethical constructs. This keyword strategy aligns with documented practices in narrative review methodology and has been used effectively in related literature mapping studies.

Inclusion and Exclusion Criteria

To ensure relevance and academic rigor, explicit inclusion and exclusion criteria were applied in the selection process. Included in the review were studies that explicitly link Islamization with accounting or management decision-making, encompass both conceptual and empirical research, and are published in English language academic outlets. These criteria ensured that the selected literature contributes meaningfully to the conceptual understanding of Islamized management accounting and ethical decision frameworks. Excluded from the review were purely theological works that do not engage with accounting or managerial contexts, as well as studies focused exclusively on Islamic banking or finance without direct relevance to management accounting practices. This exclusion is consistent with the study's focus on management accounting as a

discipline distinct from financial accounting or Islamic finance unless such studies directly inform accounting decision-making frameworks.

Result and Discussion

Conceptual Foundations of Islamization

Islamization of Knowledge (IoK): The Islamization of Knowledge (IoK) is a foundational intellectual movement that advocates for the integration of Islamic teachings with modern disciplines, challenging the secular, value-neutral assumptions of Western epistemologies. The term emerged in the late twentieth century as Muslim thinkers sought to address the perceived dominance of Western paradigms in education and knowledge production, which they argued had marginalized Islamic ethical and spiritual values. The phrase “Islamization of knowledge” was used by Syed Muhammad Naquib al-Attas and later popularized through collaborative works with Ismail Raji al-Faruqi and other scholars associated with the International Institute of Islamic Thought (IIIT) [8], [9].

Ismail Raji al-Faruqi (1921–1986) was one of the most influential proponents of IoK in the modern era, critiquing the secularization of Muslim educational systems and advocating for an epistemology rooted in Tawhid (the unity of God). According to his framework, knowledge should not be fragmented into secular and sacred domains, but rather Islam should inform the worldview, methodology, and ethical orientation of all fields of knowledge. Al-Faruqi’s project was formalized in works such as *Islamization of Knowledge: General Principles and Work Plan*, which outlined a strategy for reconstructing academic disciplines to align with an Islamic worldview [10], [11].

Syed Muhammad Naquib al-Attas contributed significantly to the philosophical and metaphysical foundations of IoK, emphasizing the role of language, meaning, and the metaphysical hierarchy of knowledge. He viewed Islamization as not merely an academic exercise but as part of a civilizational renewal that begins with epistemological reform. Comparative analyses of al-Attas and al-Faruqi show that while both thinkers shared a commitment to epistemic reform, their emphases differed: al-Attas focused on metaphysical rigour and linguistic precision, whereas al-Faruqi aimed at curriculum reconstruction and practical implementation across disciplines [12], [13].

Islamic Worldview and Business Conduct: At the heart of Islamization is the Islamic worldview, which frames human experience and societal functioning through a set of fundamental ethical and metaphysical principles. This worldview directly informs how business and accounting activities should be understood. Tawhid (Unity of God) is the central theological principle in Islam,

asserting that all existence and knowledge originate from and are governed by a single divine source. In the context of ethical behaviors and decision-making, Tawhid implies that human actions including economic and managerial choices must be aligned with divine guidance and moral accountability. It provides a coherent moral framework in which economic activities are purposeful and evaluated in terms of both worldly and spiritual outcomes[14], [15], [16].

Amanah (Trust and Responsibility) denotes that human beings are trustees of God on earth and are accountable for fulfilling obligations with integrity and sincerity. In a business context, this principle underscores honesty, fidelity in contracts, and the ethical use of resources, which contrasts with profit-only motives typical of conventional frameworks. Islamic business ethics emphasize that economic decisions should be conducted with trusteeship that respects human dignity and shared welfare[17], [18].

Adl (Justice and Fairness) is foundational in Islam. The Qur'an and Islamic legal tradition place strong emphasis on equitable treatment, equitable distribution of rights, and fairness in market transactions. Justice in the Islamic worldview extends beyond legal compliance to incorporate moral and social equity, which has direct implications for how organizations assess performance, treat stakeholders, and make strategic decisions[19].

Maslahah (Public Interest/Welfare) refers to actions that serve the common good and protect collective well-being. In Islamic jurisprudence, *maslahah* is used to guide rulings that are not explicitly addressed in scripture, prioritizing outcomes that benefit society while avoiding harm. When applied to business and accounting, this principle encourages a broader evaluation of decisions based on their impact on community welfare rather than mere financial return[20].

Hisab (Accountability) signifies that individuals and institutions are accountable to God for all actions. In Islamic thought, every decision is subject to divine scrutiny, and this accountability extends to economic and managerial actions. In business, this expands the concept of accountability beyond shareholders to include employees, society, and the environment[21].

Implications for Accounting Thought

An Islamized accounting thought implies a reconceptualization of the purpose and function of accounting systems. Traditional management accounting, grounded in economic efficiency and profit maximization, may overlook ethical and spiritual dimensions of organizational performance. In contrast, an Islamized perspective emphasizes accountability beyond shareholders, asserting that managers must consider the welfare of all

stakeholders and fulfil their fiduciary duties with moral integrity. This aligns with Islamic ethical principles that demand justice, transparency, and responsible stewardship in financial and non-financial reporting[22], [23].

Additionally, the moral and spiritual responsibility in business decisions is foregrounded in an Islamized worldview. Here, accounting information is not merely a tool for performance measurement but serves as a medium for ethical reflection and moral evaluation. Islamic accounting frameworks thus encourage practices that ensure fairness, discourage deception, and foster trust. This moral orientation challenges secular approaches that separate ethics from technical accounting processes.

Conventional Management Accounting and Business Decision-Making

Role of Management Accounting

Conventional management accounting is an internal business discipline that provides financial and non-financial information to support managers in planning, controlling, and making decisions to achieve organizational goals. It generates timely and relevant data on costs, performance, and resource use that help managers optimize operations and strategy implementation[24], [25].

- **Planning, control, and performance measurement:** Management accounting aids in budget preparation, forecasting, variance analysis, and performance evaluation by comparing actual results with planned targets, which enables corrective actions and continuous improvement.
- **Costing and budgeting:** Techniques such as cost-volume-profit analysis, activity-based costing, and budgeting systems help identify cost behavior, plan resource allocations, and guide cost control.
- **Decision support:** Managers use accounting insights to make operational and strategic decisions—including pricing, investment appraisal, and resource allocation—by evaluating alternatives and their expected financial impacts.

Decision-Making Models in Business

Conventional decision-making models in business often emphasize rationality and economic outcomes, but they also face limitations in capturing behavioral and ethical dimensions [26], [27]. **Rational and economic decision-making:** Traditional frameworks assume managers choose optimal alternatives by systematically comparing costs and benefits to maximize economic outcomes. These models (e.g., cost-benefit analysis) are grounded in

economic logic and often rely on quantitative data from management accounting systems. Behavioral considerations: More recent research acknowledges that decision-making is influenced by human behavior, cognitive biases, and organizational context, which can affect how information is interpreted and used. Management accountants thus provide both quantitative and qualitative insights to support decisions.

Ethical limitations of conventional frameworks: Conventional decision models typically do not integrate moral criteria or social welfare considerations as part of their core analytical procedures; they are primarily designed for economic efficiency and organizational performance.

Critiques from an Islamic Perspective

From an Islamic viewpoint, conventional management accounting and business decision-making are critiqued for their focus on profit maximization, short-term goals, and narrow economic indicators [28], [29].

- Profit maximization vs. moral responsibility: Islamic scholars argue that the conventional emphasis on maximizing profit as the primary objective contradicts Islamic ethical teachings, which view profit as a means, not an end, and insist on broader social and moral responsibilities. Islamic business ethics do not sanction profit maximization as the sole goal; instead, they emphasize service to society and ethical conduct.
- Short-termism: Conventional accounting metrics often prioritize short-term financial gains and efficiency over long-term social welfare and ethical outcomes, whereas Islamic perspectives encourage decisions that consider extended ethical effects and community wellbeing.
- Neglect of social and spiritual outcomes: Traditional frameworks are critiqued for excluding spiritual accountability and broader societal impacts from decision criteria, focusing instead on shareholder value and economic performance. Islamic viewpoints call for integrating values like justice, responsibility, and welfare into decisions.

Islamization of Management Accounting: Ethical Foundations of Islamic Management Accounting

Islamic management accounting is grounded in Islamic ethical principles that extend accountability beyond economic outcomes to moral obligations toward God (Allah) and society. Accountability (amanah) in Islamic thought is not merely compliance with rules but a divine trust that requires truthful stewardship of resources and transparent reporting. Contemporary Islamic scholars emphasize that organizational accountability in Islam includes fulfilling obligations to God and human stakeholders, not just satisfying legal or managerial requirements. This perspective positions accounting as a tool to uphold higher ethical standards and integrity, rooted in Shariah values rather than utilitarian outcomes alone [30], [31].

Accountability to God and society: Islamic doctrine requires that all actions, including accounting practices, be accountable to God (Allah). Accountability (amanah) emphasizes that managers and accountants are entrusted with resources and must report and manage them honestly, as part of their devotion and responsibility to God and community.

Moral objectives in performance measurement: Unlike conventional systems focused primarily on financial targets, Islamic performance measurement incorporates ethical and social considerations. Research developing Islamic performance systems highlights the importance of ethical screening criteria and Shariah-compliant indicators that align economic outcomes with moral goals.

Trust-based control systems: Islamic accounting frameworks conceptualize controls as mechanisms of trust (amanah) that ensure honesty, fairness, and ethical behaviors in reporting and decision-making – responding to moral as well as managerial expectations.

Islamic Values in Management Accounting Practices

Islamic approaches to management accounting integrate core values such as justice (adl), benevolence (ihsan), and trust (amanah) into key practices, transforming how decisions are supported and evaluated[32], [33]. Budgeting with ethical constraints: In an Islamic context, budgeting is not only about allocating financial resources efficiently but also ensuring that budgetary plans reflect ethical limits and social responsibility. For example, studies in Islamic organizations show that budgeting processes are evaluated through fairness and ethical congruence, influencing managerial performance beyond financial compliance.

Cost control aligned with justice and fairness: Islamic accounting is fundamentally linked to justice. Research on information governance in Islamic organizations highlights that Islamic values like *adl* (justice) guide the treatment, representation, and transparency of both financial and non-financial data. In practice, cost control mechanisms are expected to fairly represent economic activities and uphold equitable treatment of stakeholders. Performance evaluation beyond financial metrics: Islamic performance measurement systems place value on ethical and social outcomes as well as economic results. For example, studies developing Shariah-based performance metrics show efforts to embed ethical screening and moral values within performance evaluation criteria, thus broadening the scope of organizational success.

Comparison with Conventional Management Accounting

When compared to conventional management accounting, the Islamized approach differs significantly in objectives, measurement focus, and decision consequences:

Objectives: Conventional management accounting prioritizes economic efficiency and financial performance. In contrast, Islamic management accounting includes dual objectives achieving economic goals while fulfilling ethical duties and social welfare responsibilities. This reflects a more holistic purpose that aligns with Shariah teachings.

Measurement focus: Conventional systems primarily use financial metrics (e.g., cost, profit, ROI). Islamic frameworks broaden this to include ethical and social indicators that measure fairness, trust, and community well-being, placing moral outcomes alongside financial performance.

Decision consequences: In conventional practices, decisions are often evaluated based on economic outcomes alone. Islamic management accounting insists that decision consequences be judged on ethical acceptability and social impact, ensuring choices do not just optimize profit but also uphold justice and transparency consistent with Islamic values [34].

Islamization of Business Decision-Making: Decision-Making from an Islamic Perspective

From an Islamic viewpoint, business decisions are not merely economic calculations; they are ethical evaluations anchored in Shariah principles that emphasize morality, public welfare (*maslahah*), and avoidance of harm (*darar*). This perspective insists that decision makers internalize core Islamic values such

as honesty, justice, and social responsibility, which guide the ethical screening of every decision [35], [36].

Ethical screening of decisions: Islamic decision-making frameworks require that choices be assessed against Shariah teachings to ensure they do not contravene moral standards, even when financially profitable. Decisions are weighed not only by financial gain but also by their alignment with ethical norms derived from the Qur'an and Sunnah.

Prohibition of harm (*darar*): A central tenet in Islamic ethics is the avoidance of harm. This means businesses must avoid practices that cause physical, social, or spiritual harm to individuals and communities a principle rooted in the Qur'anic objective of preserving public welfare (*maslahah*).

Social responsibility and sustainability: Islamic decision-making inherently includes responsibility toward society and the environment. Rather than focusing solely on profit, concern for equitable treatment, environmental stewardship, and community wellbeing is built into the evaluative process, aligning business conduct with broader sustainability goals.

Role of Management Accounting Information

Management accounting information plays a strategic role in supporting Islamic business decisions by ensuring ethical choices, transparency, and truthfulness in organizational reporting and analysis.

- **Supporting ethical choices:** Islamic management accounting systems are expected to incorporate ethical criteria alongside financial measures. This dual focus helps managers choose actions that comply with Islamic values while still being operationally effective. Such frameworks enhance decision integrity by preventing morally questionable practices.
- **Transparency and truthfulness:** Islamic teachings emphasize truthfulness and full disclosure in all dealings. Transparent reporting of financial and operational information builds trust and accountability, which are essential for both internal and external stakeholders and align with Islamic governance norms.
- **Decision usefulness vs. moral acceptability:** While conventional accounting prioritizes usefulness for economic decisions, Islamic perspectives require that information also be morally acceptable. Accounting systems therefore should help evaluate not just the financial

impact of decisions but also their alignment with Shariah-inspired ethical standards.

Organizational Implications

The Islamization of business decision-making carries important implications for internal governance, managerial roles, and stakeholder engagement within organizations.

Managerial accountability: Islam places strong emphasis on responsibility (mas'uliyah) and trust (amanah), making managers accountable not only to shareholders but also to society and ultimately to God. This broadens the scope of accountability beyond economic performance to include ethical conduct and social outcomes.

Governance and internal control: Islamic governance frameworks integrate ethical principles such as justice (adl), consultation (shura), and transparency, supporting systems that guide ethical behaviour, prevent misuse of power, and strengthen governance structures. Such principles are now reflected in Islamic corporate governance models that emphasize fairness and equitable treatment of stakeholders [37], [38].

Stakeholder-oriented decision-making: Unlike the shareholder-centric focus of many conventional models, Islamic decision-making prioritizes stakeholder welfare, meaning decisions are evaluated based on their impact on employees, customers, communities, and the environment, in addition to financial outcomes. This broader orientation fosters inclusive and responsible business practices.

Synthesis and Critical Discussion

The literature on Islamization of management accounting and business decision-making highlights several key themes that differentiate the Islamic perspective from conventional approaches. Central among these are ethics and accountability, where Islamic frameworks emphasize responsibility to God (Allah) and society, promoting transparency, fairness, and ethical conduct beyond regulatory compliance. Performance measurement also reflects this orientation, incorporating Shariah-based ethical criteria to evaluate social and moral outcomes alongside financial results, while governance and control mechanisms are designed not only for efficiency but to enhance ethical oversight and stakeholder trust. Additionally, studies show that decision-making behavior is influenced by religiosity, with more devout accountants demonstrating stronger adherence to ethical and transparency standards in applying frameworks like IFRS.

Across the literature, there is broad consensus on the need for ethical grounding in management accounting. Scholars agree that conventional models, focused primarily on efficiency and short-term financial gains, often neglect social, moral, and environmental outcomes. Integrating Islamic principles into accounting systems can reinforce moral responsibility, long-term decision quality, and organizational accountability, suggesting a significant conceptual advantage over conventional approaches.

Despite these agreements, several debates and tensions remain. Implementing Islamic values in modern accounting systems presents structural and technical challenges, particularly when aligning them with prevailing global standards such as IFRS. The measurement of non-financial values is another area of debate, as quantifying ethical and social outcomes remains complex. Finally, literature discusses the compatibility of Islamic frameworks with modern business environments, emphasizing the need to balance ethical mandates with competitiveness in multicultural and global corporate contexts. These discussions point to both the potential and the practical challenges of operationalizing Islamic management accounting in contemporary organizations [39], [40].

Conclusion

This literature review has explored the Islamization of management accounting and business decision-making, emphasizing how Islamic principles offer a comprehensive alternative to traditional models. While conventional management accounting focuses primarily on financial performance, efficiency, and profit maximization, the Islamic approach integrates ethical accountability, social responsibility, and spiritual values into managerial processes. Key concepts such as *amanah* (trust), *adl* (justice), and *sidq* (truthfulness) shape performance measurement, budgeting, and decision-making by considering not only economic outcomes but also moral and social implications. This integration encourages greater transparency, builds stakeholder trust, and promotes governance practices that align with Shariah principles, addressing the limitations of conventional models, such as their short-term focus and disregard for social consequences. The Islamization of management accounting offers a pathway for ethical business decision-making, prioritizing the prevention of harm (*darar*), the promotion of social welfare, and the alignment of corporate practices with moral and societal obligations. Islamic frameworks encourage managers and accountants to assess the long-term effects of their decisions on stakeholders while adhering to Shariah-compliant standards, making ethical screening central to strategic and operational choices. Although significant theoretical progress has been made, further empirical studies, operational Islamic

management accounting models, and integration with contemporary frameworks such as sustainability and ESG are needed. Ultimately, the Islamization of management accounting bridges technical, ethical, and social dimensions, providing a responsible decision-making framework that is financially sound and morally accountable, and offering valuable directions for both academic research and practical application in modern organizational contexts.

Author Contributions

Md Sajid Hasan: Conceptualization, Methodology, Writing – review & editing, Supervision, Project administration. **Sheikh Abu Toha Md Saky:** Methodology, Writing – review & editing, Investigation. **Md. Nurul Islam:** Conceptualization, Methodology, Writing – review & editing, Investigation.

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Conflict of Interest

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