

**GOVERNANCE AND ACCOUNTABILITY IN PROMOTING SHARIAH AND
SUSTAINABLE PRACTICES: THEMATIC ISSUE ON GOVERNANCE AND
ACCOUNTABILITY [FROM THE EDITORS]**

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FROM THE EDITORS

Thematic Issue on Governance and Accountability

EMERGING PERSPECTIVES ON GOVERNANCE AND ACCOUNTABILITY IN PROMOTING SHARIAH AND SUSTAINABLE PRACTICES

Technological advancements, environmental challenges, and societal shifts are driving transformative changes in governance and sustainability. Ethical leadership and Shariah principles are essential lenses through which these changes can be examined and navigated. Governance and technology present emerging challenges that require an ethical framework to guide decision-making and policy formulation. Ethical leadership fosters transparency, accountability, and inclusivity in these complex landscapes, emphasising the importance of long-term environmental stewardship, equitable resource allocation, and social justice.

This thematic issue provides an insightful exploration of governance, addressing the ethical complexities introduced by digital democracy and decentralised technologies. It brings to the fore the critical role of ethical leadership as a guiding compass in navigating these evolving dynamics. Ethical leadership emerges as a foundational paradigm, promoting normative ideals of transparency, inclusivity, and accountability across various governance domains.

Shariah principles are thoughtfully integrated into the discussions, adding a moral and ethical dimension that enhances the discourse. These principles advocate for fairness, transparency, and social responsibility, aligning with the broader themes of effective governance and sustainable development. By positioning Shariah not only as a complementary perspective but as an integral framework, this issue enriches the understanding of governance and sustainability ethics.

What distinguishes this thematic issue is the comprehensive and multidimensional analytical approach taken to articulate the synergies and interdependencies among governance, sustainability, ethical leadership, and Shariah principles. The collected works advocate for a holistic and integrated approach to addressing the complex challenges of contemporary society.

Furthermore, this thematic collection provides an intellectually fertile foundation for future research. By articulating intersecting themes, it opens numerous avenues for academic inquiry, particularly in conceptualizing governance models that are both effective and ethically grounded within the framework of Shariah principles. As such, this issue serves as a valuable

intellectual resource for a wide range of stakeholders, including academics, policymakers, and practitioners committed to fostering ethical, equitable, and sustainable futures.

Corporate Governance and Shariah Practices Novelty Assessment

The notion of corporate governance, particularly from an Islamic viewpoint, often known as Islamic corporate governance, encompasses integrating many principles and practises in company governance with transcendental aspects. This might be seen as a manifestation of the devotion of a Muslim to Allah. From this point, it is evident that the recognition of monotheism has significant importance in shaping Muslim beliefs, ideas, and behaviour, including their comprehension of corporate governance (Abu-Tapanjeh, 2009). The internalisation process of corporate governance incorporates Islamic ideals as organisations identified as Islam continue to proliferate in society (Alzahrani, 2019). Hence, the subject of corporate governance has emerged as a subject of discourse in conjunction with the advancement of Islamic Economics, a component of Islamic studies.

If the implementation of good corporate governance (GCG) alludes to principles derived from capitalist values, corporate governance must be reconstructed to be applied to Sharia institutions (Pahlevi, 2023).

Islamic Economics posits that companies can adopt a corporate governance framework founded on the "principle of consultation," wherein all stakeholders share a common objective, namely, Tawhid or the Unity of Allah (Jan et al., 2021a). The work highlights divergent viewpoints between traditional business governance and Islamic beliefs. The primary focus is on examining the positioning of monotheistic ideology inside the framework of Sharia, juxtaposed with the ideology of rationality from a conventional standpoint (Hassan et al., 2022).

The findings of prior scholars exhibited varying study outcomes. Previous studies have researched the comparative analysis of Islamic and conventional corporate governance viewpoints. Notable contributions in this area include the works of Jan et al. (2021b) and Abu-Tapanjeh (2009). The research conducted by Fithria et al. (2021), Azmi et al. (2019), Chen and Yu (2021), Naveed and Ul Abdin (2020), Correa-Garcia et al. (2020), Schrobback and Meath (2020), and Gautama et al. (2021) explored the relationship between the implementation of Islamic perspective governance and business sustainability.

Additionally, Anwer et al. (2020), Basiruddin and Ahmed (2020), Mansoor et al. (2020), Anwer et al. (2021), and Ridwan and Mayapada (2020) researched the application of Islamic perspective governance in the capital market. Previous studies have researched the

implementation of corporate governance in developing countries and the advancement of corporate governance theory. These studies include Driss et al. (2021), Hashim et al. (2015), Fatmawati et al. (2022), Haslam et al. (2019), Grassa et al. (2021), Li et al. (2020), and Oehmichen (2018).

Generally, implementing effective corporate governance (GCG) practices has been shown to impact organisations' performance positively. Conversely, the lack of robust corporate governance practices has been identified as a contributing factor to the failure of small and medium enterprises (Tessema, 2019). While corporate governance may not provide a comprehensive answer to all challenges encountered, it is undeniably an essential factor in the success of company endeavours (Kok & Filomeni, 2021).

Establishing effective governance, particularly from an Islamic standpoint, remains a subject of ongoing discussion and analysis. Numerous studies have been undertaken in various nations. The subject of discussion is the suitability of governance standards and rules (Tarazi & Abedifar, 2020; Qoyum et al., 2022).

Since the commencement of Islamisation, according to Abu-Tapanjeh (2009), Islamic values have also been instilled in GCG. Islamic society holds distinctive perspectives and values, distinct from those of non-Islamic societies. It strongly believes in accountability in the global community, previously exerted substantial control over every Muslim's life, and was obligated to implement broader corporate governance than conventional principles.

Therefore, success and happiness are evaluated based on moral obligations and spiritual ethics, with a strong belief in accountability and Allah as the highest authority. According to Abu-Tapanjeh (2009) and Jan et al. (2021b), there are differences between conventional-based and Islamic values-based systems; conventional systems have stakeholders with conflicting objectives.

In contrast, from an Islamic perspective, social welfare is the ultimate objective of every business, not maximising shareholder value (Chen & Yu, 2021). Historical research has revealed that since the time of the Prophet Muhammad and his companions, people have been familiar with the concepts of healthy business management and have divine and human dimensions. This can be accomplished through extant Sharia provisions and endeavours to operate various institutions, supporting GCG without violating Sharia provisions (Hashim et al., 2015). Islam's GCG principles are more focused on stakeholders than shareholders. If the implementation of GCG always refers to GCG principles derived from capitalist values, corporate governance must be reconstructed to be applied to Sharia institutions (Azmi et al., 2019). GCG implementation is crucial in Islamic financial and banking institutions. The overall

argument of providing the theoretical foundation for the stakeholder model of corporate governance in the Islamic economic system seeks to demonstrate that the company's objective is to maximise the welfare of all stakeholders, not just shareholders (Ararat et al., 2021).

It was observed; however, that the primary objective of many Shariah businesses, including so-called muamalat, is to maximise shareholder value. This implies that, in actuality, the shareholder model of corporate governance is more prevalent among Islamic companies than the stakeholder model. Researchers and scholars are tasked with presenting not only the theoretical foundations of Islamic corporate governance, but also empirical evidence and case studies regarding the actual practice of corporate governance and the potential transformation of the concept of corporate governance in Islam (Fatmawati et al., 2022; Alzahrani, 2019).

There are several different results, including that most researchers agree that the GCG model in Islam differs from the Anglo-Saxon and Continental European models because all aspects of life in Islam must be based on Sharia law (Fuenzalida et al., 2013). The universally applicable GCG principles have been known in Islam since the inception of Islam and the revelation of the Qur'an. The Shariah legal basis generally contains universal principles and concepts, such as impartiality, transparency, accountability, and responsibility. In addition to the fundamental distinctions between the objectives of Shariah-based and conventional companies, the mechanisms and instruments required for GCG will also differ (Imamah et al., 2019).

Emerging Perspectives on Governance and Accountability in Promoting Shariah and Sustainable Practices

This special issue contains a diverse and insightful collection of research articles that contribute to our collective understanding of the critical domains of governance, accountability, and sustainability. This comprehensive volume presents a synthesis of viewpoints and studies that shed light on the complexities and dynamics of these interconnected fields.

This theme entails the investigation of emerging perspectives on governance, ethics, and accountability in a variety of sectors. It emphasises the critical role that these elements play collectively in fostering sustainability and adhering to Shariah principles, whether in government agencies, microfinance institutions, corporate settings, religious organisations, or emerging areas such as technology adoption and crowdfunding. Collectively, the articles emphasise the importance of ethical decision-making, strong governance frameworks, and responsible practises in achieving long-term sustainability and societal well-being.

We are pleased to announce the publication of this special issue of *Journal of Nusantara Studies*, which includes a diverse and insightful collection of research articles that collectively deepen our understanding of the critical domains of governance, accountability, and sustainability. This comprehensive volume presents a synthesis of viewpoints and studies that shed light on the complexities and dynamics of these interconnected fields based on the following themes:

Theme 1: Leadership and Ethical Practices

Zahari et. al (this issue) and Abdul Rahman et. al (this issue) both discuss ethical leadership and its implication. Zahari et. al (this issue) investigates the influence of ethical leadership on internal control systems in government departments, highlighting the importance of leadership in ensuring effective controls. Abdul Rahman et. al (this issue) takes a different angle by examining the disclosure practices of Maqasid Shariah objectives among Malaysian Islamic banks, emphasizing the role of financial institutions in aligning their practices with ethical standards.

Theme 2: Financial Governance and Accountability

Several articles in this issue focus on financial governance and accountability. Mohamed et. al (this issue) highlights the challenges surrounding financial governance in Malaysia's mosques, shedding light on issues related to fund management and regulatory compliance. Slack et. al (this issue) explores the factors influencing forced financial restatements in Malaysian firms, underlining the significance of financial reporting quality. Talib, Mohd Iskandar, and Muda (this issue) assesses the impact of value-based principles on Islamic banking practices in Malaysia, examining how banking institutions integrate their products and services with the Value-Based Intermediation (VBI) framework.

Theme 3: Sustainability and Social Responsibility

Sustainability is a recurring theme in this special issue. Bhuiyan et. al (this issue) investigates the sustainability of microfinance institutions in the Philippines, emphasizing the importance of adherence to double bottom-line sustainability. Hoque et. al (this issue) evaluates the accountability and governance of crowdfunding in public universities, addressing the need for alternative funding sources in the context of reduced government funding. Kamarudin et. al (this issue) explores the implications of climate change risk on financial and non-financial

reporting, highlighting the growing importance of environmental, social, and governance (ESG) reporting.

Theme 4: Governance and Technology

Technology-related topics are explored in several articles. Zolkaflil et. al (this issue) investigates the money laundering framework for professional accountants in the post-COVID-19 era, highlighting the role of technology in combating financial crimes. Ariffien et. al (this issue) explores the influence of technology adoption and self-efficacy on entrepreneurial business success, emphasizing the impact of technology on micro-entrepreneurs. Lisdiono examines the role of information technology capabilities (ITCs) in enhancing enterprise resilience, emphasizing the importance of technology in navigating uncertain business environments.

Theme 5: Human Resources and Organizational Accountability

Human resource management (HRM) and its impact on organizational accountability are central to the articles in this theme. Yahya et. al (this issue) explores the relationship between HRM and accountability within Malaysian statutory bodies, underscoring the importance of effective HRM practices in enhancing organizational accountability.

These articles collectively provide a comprehensive view of the complex interplay between governance, accountability, and sustainability in various organizational settings. They offer valuable insights for policymakers, practitioners, and researchers seeking to address contemporary challenges in these domains. We hope that this special issue serves as a valuable resource for advancing knowledge and driving positive change in the areas of governance, accountability, and sustainability.

Possible Direction for Future Research

Future research in the fields of corporate governance, ethical leadership, and sustainability can cover a wide range of topics. One approach could be the creation of integrated ethical frameworks that combine Shariah principles with traditional governance models, providing a comparative lens for studying ethical manifestations in various economic systems and cultures. Interdisciplinary approaches that include fields such as behavioural economics, sociology, and religious studies can help us better understand decision-making in governance. Comparative studies could also be beneficial, such as contrasting conventional governance ideologies with

Sharia-based models or examining the differences in governance effectiveness between small and medium-sized enterprises (SMEs) and large corporations. Empirical studies, such as case studies and statistical analyses, can provide practical evidence of the advantages and disadvantages of various governance strategies. In contrast, focusing on societal implications can yield insights into the role of technology, environmental sustainability, and social welfare. Internal governance mechanisms, audit oversight, ethical leadership metrics, regulatory conflicts, and synergies between national laws and Shariah principles can be areas of scrutiny for strengthening accountability and transparency. Finally, specialised research could look into the effects of governance in capital markets, and the incorporation of Good Corporate Governance (GCG) practises in Islamic financial and banking institutions. If these topics are investigated, they will not only fill literature gaps but also provide actionable insights for academics, policymakers, and business leaders.

Summary

Establishing effective governance, particularly from an Islamic perspective, remains a topic of ongoing research. Since the inception of Islam, corporate governance has incorporated Islamic values. Islamic society's distinctive perspectives and values emphasise accountability in the global community. Success and contentment are evaluated based on moral obligations and spiritual ethics, with a strong belief in Allah as the ultimate authority. Islamic principles of corporate governance place stakeholders ahead of shareholders, with social welfare as the ultimate goal. Key components include Shariah provisions and efforts to operate various institutions that support sound corporate governance without defying Sharia principles. While the Islamic economic system theoretically favours the stakeholder corporate governance model, the shareholder model is more prevalent among Islamic companies. Due to its foundation in Shariah law, Islamic corporate governance differs from conventional models. Shariah-based corporate governance incorporates universal principles such as impartiality, transparency, accountability, and responsibility, although the mechanisms and instruments required for its implementation may vary.

This special issue of the *Journal of Nusantara Studies* presents a diverse and insightful compilation of research articles that contribute significantly to our collective understanding of the crucial domains of governance, accountability, and sustainability. This exhaustive volume's articles synthesise perspectives and studies that shed light on the complexities and dynamics inherent to these interrelated fields.

This special issue is divided into five thematic sections, each providing a distinct lens through which to analyse the complex relationship between governance, accountability, and sustainability. Leadership and ethical practises examine the impact of ethical leadership on internal control systems in government divisions and the disclosure practises of Maqasid Shariah objectives among Malaysian Islamic institutions, highlighting the crucial role of leadership in ensuring adequate controls and ethical standards. The financial governance and responsibility theme cast light on the challenges of financial governance in Malaysia's mosques, the factors influencing financial restatements in Malaysian firms, and the influence of value-based principles on Islamic banking practices. Sustainability and social responsibility focus on the sustainability of microfinance institutions in the Philippines, accountability and governance in crowdfunding at public universities, and the implications of climate change risk on reporting, predominantly environmental, social, and governance (ESG) reporting. The role of technology in combating financial crimes, the impact of technology adoption on entrepreneurial business success, and the significance of information technology capabilities (ITCs) in enhancing enterprise resilience are among the technology-related topics examined. Human resources and organisational accountability examine the relationship between human resource management (HRM) and accountability in Malaysian statutory bodies, focusing on the critical importance of effective HRM practices.

These articles comprehensively explain the intricate relationship between governance, accountability, and organisational sustainability. They offer valuable insights that policymakers, practitioners, and researchers can use to address contemporary challenges in these domains. We anticipate this special issue will be valuable for advancing knowledge and fostering positive change in governance, accountability, and sustainability.

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