

# ANTHROPOLOGICAL AND ACCOUNTING KNOWLEDGE IN ISLAMIC BANKING AND FINANCE: RETHINKING CRITICAL ACCOUNTS

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Accounting for accounting demands renewed attention to the knowledge practices of the accounting profession and anthropological analysis. Using data and theory from Islamic accountancy in Indonesia and the global network of Islamic financial engineers, this article challenges work on accounting's rhetorical functions by attending to the inherent reflexivity of accounting practice and the practice of accounting for accounting. Such a move is necessary because critical accounting scholarship mirrors, and has been taken up by, Islamic accountancy debates around the form of accounting knowledge. The article explores the work that accounting literature shoulders in carving up putatively stable domains of the technical and rhetorical, and makes a case for a reappraisal of the techniques for creating anthropological knowledge in the light of new cultures of accounting.

## *Accounting and the form of anthropological knowledge*

Scholars across the disciplines seem to agree that it is time for a new accounting of accounting. For sociologists Carruthers and Espeland (1991), accounting is more than mere technique; it has symbolic power as a form of rhetoric that legitimates some practices, hides others, creates knowledge and structures decisions. Critical accounting scholars draw attention to the ways in which accounting functions as a mode of power (Hopwood & Miller 1994). Anthropologists examining 'audit cultures' view accounting as a distinct kind of cultural artefact of signal importance in new regimes of management, organization, and control, as well as their cultural reproduction (Shore & Wright 1999; Strathern 2000). In Carruthers's (1995) view, accounting is not a 'mirror' of what goes on in an organization, as mainstream accounting scholars contend. Rather, it serves a 'window-dressing' function, decoupled from actual organizational practice. As such, it is much more about the 'mythical and ceremonial' than 'how things actually transpire' (Carruthers 1995: 315).

This article seeks to show that the analytical distinction between technical and rhetorical, the practical and the ceremonial, cannot be sustained. It takes issue with the functionalist theory of culture at work in much critical accounting scholarship, and the idea of 'decoupling' organizational form from rhetorical functions that goes along with it. Carruthers has argued that, rather than addressing the meaning of accounting information, scholars should focus on

the ‘pragmatics’, or how it is used: he writes, ‘[a]ccounting has a more fundamental role than the accounting-as-mirror version suggests, for it constitutes economic and organizational realities as much as it reflects them’ (Carruthers 1995: 321). Carruthers is correct to the extent that he has identified accounting as a performative linguistic event that constitutes what it names (Austin 1962). Yet, as Garfinkel (1967) argued long ago, scholarly discussions of accounting, while not numeric, are themselves a kind of accounts-keeping. And they often uncannily echo discussions that others are carrying on about accounting. Rather than simply documenting and theorizing the pragmatics of accounting information, anthropologists should also take note of its metapragmatics, that is, how accounts of its use are used (following Silverstein 1976).

What we find when doing so is that the metapragmatics of accounting never necessarily mirror nor mythologize something else, some other level of reality behind or before accounting. Rather, they assume an identity with the very form of knowledge which is intrinsic to reflexive anthropological reason, a form that is based on nested hierarchies of abstraction and an inevitable partiality of perspective through which perspective, as an organizing rubric for anthropological knowledge, reveals itself in its own failure (Strathern 1991). Perspectivalism fails as an analytical strategy because of the infinity of possible perspectives: since perspectival analysis can proceed *ad infinitum*, perspectivalism can never pretend to offer a final interpretation or close a debate, for there will always be more and ‘different’ perspectives. The same is true for any critical enterprise, such as critical accounting scholarship, that seeks other principles besides the interests of good record-keeping or balancing the books in accounting practice. Indeed, the limits of perspectivalism apply to accounting practice itself: as a process of abstracting from a field of practice, it will always overlook some phenomena to make visible others. For accounting, the result is an open-endedness belied by the apparent stability of the balance sheet. For anthropological and critical accounting scholarship, the result is an open-endedness that obviates the apparent stability of the forms or relations that observers ‘discover’ structuring or underlying the practices of their subjects.

Garfinkel early on asked scholars to appreciate the multiple ambiguities of the word ‘accounting’, stressing the unity of the numeric and narrative forms of accounts-keeping that render organizational forms ‘tell-able’ (see also Munro 1996: 5; 2001: 474-5). As he put it, ‘Any setting organizes its activities to make its properties as an organized environment of practical activities detectable, countable, recordable, reportable, tell-a-story-about-able, analyzable – in short *accountable*’ (Garfinkel 1967: 33). My aim here is to turn this apparent ambiguity and totality into a tool in order to reappraise the techniques of anthropological and accounting knowledge.<sup>1</sup> Accounting standards-setting and critical accounting scholarship both rely on the same perspective-shifting analytics as anthropology. They both do so in their social scientific insistence on abstracting general principles from discrete data. Both study accounting practices to deduce a set of general principles underlying them – for standards-setting, the principles are quite simply the standards; for critical accounting, the principles have to do with something else: politics, power, values, and meanings. Critical accounting is thus a fractal transformation of

standards-setting, replicating the analytics of standards-setting at another level of abstraction. Critical accounting does what it does by using anthropological or other forms of social scientific argument, by attaching to itself another analytic tool of the same form as those of the phenomena it studies. This prospectively extends its analytical reach. In critical accounting, ethnography can become a means for analysing the cultural content of accounting. Many critical accounting scholars also want to reshape that content and create a new accounting, and, from a new accounting, a new world.

My own reappraisal of ethnographic tools is not so goal-orientated because, regardless of its transformative aspirations, critical accounting's recursivity should be familiar to anthropologists who are accustomed to finding 'culture' in winks. Drawing on the work of Mary Douglas (e.g. 1970), the influential accounting theorist Trevor Gambling argued in his seminal works, *Societal accounting* (1974) and *Beyond the conventions of accounting* (1978), that 'accounting theory and culture are not readily separable' (1974: 107) and that "accounting theory is the culture" at least in the anthropological sense. Perhaps one could go further and define a society as a "group of people who subscribe to a common accounting theory" (Gambling 1978: 2-3).

The idea that everything is accounting and accounting is everything plays on the ambiguity of the term in English (accounting as audit, accounting as narration, and accounting as religio-cosmopolitical judgement), an ambiguity made material in the transformations of scale that accounting in all of its senses permits. If accounting is everything, can analysis, itself a form of accounts-keeping, achieve a critical perspective on it? This article seeks to demonstrate that this problematic takes on a particular significance in Islamic accountancy with far-reaching implications for anthropology. While Islamic accounting shares with anthropology and critical accounting scholarship the particular dynamics of the analytical impasse of perspectival knowledge, it also, in some quarters at least, may provide tools for a reconfigured anthropological practice. This new kind of anthropology would forgo the sameness/difference models inherent in the discipline's conventional culturalist explanations, which have animated not only anthropology but also critical accounting scholarship.

I develop the argument in light of a recent and ongoing transition in the field of Islamic finance, with reference to ongoing debates among Islamic accounting specialists in published, face-to-face, and on-line forums. The transition involves international accounting standards set by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), which is based in Bahrain and was founded by one of Gambling's former students in 1990. Islamic financial institutions employ AAOIFI standards in place of, or in addition to, 'religious audits' by in-house 'Shari'a Supervisory Boards' (SSBs). SSBs and the AAOIFI both exist to ensure that Islamic financial institutions are 'Shari'a compliant', operating in accordance with Islamic law. To demonstrate the practical ambiguities of Shari'a compliance, this article briefly considers two Indonesian Islamic economic enterprises: a national Islamic bank, and a local co-operative credit union.

In Islamic finance, some very anthropological ideas – including debate over the social construction of reality and the role of values and beliefs in bureaucratic practice – have become a terrain of struggle over meanings and their pragmatic uses. The same has occurred in critical accounting scholarship. As

anthropologists turn to bureaucratic forms like accounting, we have begun to question the separation of text from context, form from content, and theory from data that stabilized the discipline's late twentieth-century knowledge practices. Those oppositions now seem to characterize the knowledge practices of those we study, and turn up in precisely those bureaucratic quarters to which we now turn our attention (Amit 2000; Riles 2000; Shore & Wright 1999). This places anthropology in an uncomfortable position, different from the reflexivity of an earlier era because concerned less with the partiality of a particular observer's perspective than with the metapragmatics of analytics of parts and wholes that make perspectival knowledge possible, yet guaranteed to exhaust itself (Riles n.d.; Strathern 1999). This article thus accounts for anthropology as much as for Islamic accountancy.

'Islamic banking and finance' refers to a world-wide phenomenon centred in Malaysia, Indonesia, the United States, Britain, and the Arabian peninsula, and not the financial systems of those nation-states that have officially 'Islamized' their economies.<sup>2</sup> It grew out of the anti-colonial project of the Islamic modernists on the Indian subcontinent in the years surrounding Partition. Seeking to create a 'modern' Islam that would stand in opposition to Western dominance without falling into romantic attachments that might hinder 'progress', thinkers such as Maulana Maududi attempted to craft a new Islamic economic science (Maududi 1975). This new science, they hoped, would meet the needs of modern society and stay true to the Shari'a and Qur'an. The modernists sought to theorize an economy that provided a mechanism for the redistribution of wealth and that was not based on interest-bearing debt. The obligation to pay *zakat*, or alms, and injunctions against *riba*, glossed as interest, were the initial impetus for Islamic economics (see Chapra 1992; Kuran 1997; Maududi 1975; Qureshi 1946; Siddiqi 1983).

Islamic banking and finance world-wide derives its core assumptions and many of its practices from these early twentieth-century modernists. Just as importantly, global Islamic banking owes much to the immigration of Middle Eastern and South Asian students and professionals to the United States and Britain during the 1970s and 1980s, and the consolidation of large Muslim organizations such as the Islamic Society of North America and the Islamic Circle of North America. The 1970s Middle East oil boom fostered renewed interest in Islamic banking in many Muslim-majority countries (Wilson 1990). This period saw the emergence of a loose alliance of Muslim businessmen, with experience of Western regulatory and business environments who had come from employment with international oil and chemical companies as well as Western financial firms. The main nodes of this network were the financial and industrial centres of Europe and the United States, and not the Middle East or South Asia. Thus, although Saudi royals and entrepreneurs bankroll many Islamic finance conferences, journals, and academic institutions around the world, the main sites for intellectual production in Islamic economics are the Islamic Foundation in Leicester (Leicestershire, UK), the Institute of Islamic Banking and Insurance in London, and the Harvard Islamic Finance Information Program in Cambridge, Massachusetts.<sup>3</sup>

In what follows, I rely on two sources of theory and data. The first includes the writings, commentary, conferences, and published reports of Islamic banking professionals who constitute the global network I have just described.

Their lingua franca is English, supplemented by Arabic terms that have their origins in classical texts but have been given new and often more precise meanings in Islamic banking and finance. Their principle media of communication are published and unpublished reports, academic and trade publications, and, importantly, the internet. The Islamic Economics and Finance internet listserv<sup>4</sup> began operating in late 1999 as an outgrowth of the Islamic Banking Training Programme of the Xavier Institute of Management and Business in Bhubaneswar, India. That programme was the brainchild of a former student of the London-based Institute for Islamic Banking and Insurance, and quickly became the most important face of Islamic banking on the internet. It now consists of around twenty separate specialist 'salons', or chat rooms, and one main, all-purpose discussion group. While the participants in the Islamic banking and finance network I discuss here are admittedly only one subset of all those involved in Islamic economic ventures world-wide, they constitute a very important locus of intellectual power that translates into institutional authority. Some are the authors of significant books on Islamic banking. Others are executives or employees of financial services firms (both Islamic and conventional). Many are students who will assume such positions in the future. Debate does get heated at times, especially where there is uncertainty about whether certain financial practices are permissible in Islam – derivatives trading, for instance (see Maurer 2001). What is striking, however, is the overwhelmingly pragmatic orientation to Islamic knowledge. People are far more likely to mix and match concepts or perspectives from different branches of Islamic law in order to create or justify a particular financial practice in their on-line postings than they would in a formally published bulletin or at a conference. Similarly, they are far more likely on-line to entertain comparisons or convergences between Sunni and Shi'a jurisprudence, without resorting to insult or evangelical fervour.<sup>5</sup> Like the Islamic banking network itself, which I see as existing somewhere between the traditional centre and periphery of the Muslim world – indeed, confounding the scalar logic of centre/periphery – these internet postings lie between official publications and off-the-record conversations, and between the various branches of Islamic knowledge.

The second source, which also constitutes 'data' for the people who make up my first source, comes from two Islamic financial ventures in Indonesia: a large Islamic bank and a small credit association. These two ventures demonstrate the practice of Islamic accountancy in action. In particular, they show how the debates raised in the international network sometimes fail to capture the imagination of those working 'on the ground'. That very failure, however, proves extremely productive for anthropological and accounting knowledges.

### *The spirit of Islamic capitalism*

Since the 1980s, and more particularly in the wake of the 1991 Bank of Credit and Commerce International scandal, linked in the business press to Islamic banking in Caribbean tax havens,<sup>6</sup> many Islamic banking professionals have called for clearer accounting standards. They have done so in the hope of removing any possible taint of illicitness, as well as to bolster confidence in

the emerging Islamic market sector. Such standards, they hope, will also make their practices both transferable across a variety of regulatory contexts and 'transparent' to outside observers. Founded in 1990 as the Financial Accounting Organization for Islamic Banks and Financial Institutions (FAOIBFI) and renamed in 1991, the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) disseminated Islamic accounting procedures in 1996-7 as part of this effort.

In doing so, the AAOIFI entered a field previously dominated by Shari'a Supervisory Boards. Even after the advent of the AAOIFI, most Islamic businesses of any appreciable size still rely on the seal of approval granted by an independent Supervisory Board made up of clerics and scholars. The AAOIFI has been careful not to tread on the toes of independent Boards, and relies on their standards-setting to guide its own. The AAOIFI itself boasts a Board made up of internationally prominent individuals. The AAOIFI has drafted standards that are readily grasped by its counterpart non-Islamic organizations, most notably the International Accounting Standards Committee. Yet while its language and principles share common ground with those of key international accountancy codes, for example the scheme of conventions which has come to be known as the Generally Accepted Accounting Principles, it is not engaged in a struggle for authority with local, national, or regional Boards. Indeed, the AAOIFI needs Boards, and vice versa. The AAOIFI relies on Boards to provide the 'data' from which it crafts universally applicable Islamic accounting standards. In a process analogous to the establishment of the Uniform Commercial Code in the United States during the early twentieth century (Llewellyn 1951; R.W. Perry pers. comm.), the AAOIFI collects information on existing Islamic accounting practices and distils from the available data 'best practices' that will have the most universal transferability and, ultimately, transparency to both Islamic and non-Islamic businesspeople and regulators. Supervisory Boards, for their part, can gain legitimacy for their decisions by referring to the AAOIFI standards, and at the same time provide a clerical seal of approval for the standards themselves. Understanding the transition from Supervisory Boards to the AAOIFI requires that we consider something other than the apparent shift in authority from religion to bureaucracy. Instead, we should turn to the way in which accounting in Islamic banking and finance creates particular kinds of 'facts' and engages a specific rhetoric of rationality.

The facts of accounting are special facts: they are supposed to help people make good decisions about the management of their assets. It is a textbook truism that the principal objective of accounting practice is to guarantee the 'decision-usefulness' of the information that accountants collect, analyse, and present to auditors, shareholders, managers, and others.<sup>7</sup> The underlying assumption of the decision-usefulness framework is that rational economic actors need information in order to make effective economic decisions which will serve their self-interest. Since, in this framework, the aggregate activities of self-interested maximizers create the most efficient allocation of resources, decision-usefulness is the corner-stone of the efficient functioning of markets. Although the market ideology here is self-evident, the framework is none the less powerfully hegemonic.



Regulators and other observers who are not directly involved in Islamic banking cite a lack of accounting standards as one of their main concerns about the movement. *Euromoney* reports that Islamic banking's 'long-term ambition' of 'taking on world markets' may be hindered by a lack of 'uniform and consistent accounting and auditing standards and ... proper regulation', and that 'standardization is desperately needed' (Dudley 1998: 116). A vice-president of the Federal Reserve Bank of New York ascribed the success of Islamic banking to decision-useful accounting standards. While stating before an audience of Islamic bankers that 'issues of religion are not supervisory matters of concern' (Patrikis 1996: 1), this official argued that 'qualitative' considerations must be taken into account by supervisory agencies. He continued:

it involves an assessment by bank examiners of the financial strength and managerial controls of the bank. This is done in a 'hands on' way by examiners looking at the bank's systems, books, and records on site and assessing the quality of its management. In addition, we rely on reports of the bank which are issued quarterly and made public to allow the public – investors, depositors and counterparties – to assess the creditworthiness and risk profile of the bank (Patrikis 1996: 4).

Concerns about standardization, decision-usefulness, and possible regulatory interference led to the establishment of the FAOIBFI/AAOIFI (Gambling, Jones & Karim 1993; Pomeranz 1997). The 'ceremonial' or 'window-dressing' function of accounting seems evident. It seems evident, however, in the same manner that the facts of accounting can become evidence: based on induction from the observation of a moment of social life, a process that delimits the accountant's, the regulator's, and also the social analyst's field of practice. It is also evident only within the terms of an implicitly functionalist theory of culture ('window-dressing', after all, functions to make something prettier or to hide something else). This is a point to which I return.

Decision-usefulness criteria are supposed to mitigate information asymmetry and thus provide a means of bracketing the conflict of interests between the manager of a financial institution and the shareholders. In the accounting literature, this potential conflict is called the 'agency problem'. The decision-usefulness framework only makes sense in a world where a person can be called forth into social interaction as a maximizing individual; only in such a world would the agency problem manifest itself, and the decision-usefulness framework actually be useful. One would need to be possessed of – or perhaps by – the spirits of capitalist utilitarianism for conventional accounting to lessen information asymmetry and foster efficient markets.

The argument could be made that different spirits do or ought to possess Islamic economics, rendering conventional accounting irrelevant. An Australian accounting scholar writing recently about Islamic accountancy explicitly rejected the AAOIFI's approach to standards-setting – beginning with data from actual practices and 'objectives established in contemporary accounting thought' tested against Islamic religious norms – in favour of proceeding from 'objectives based on the spirit of Islam' (Lewis 2001: 112). His position is thus based on the assumption that there is a spirit of Islam that is necessarily different from that which animates other economic or cosmological orders. This is a much debated point among Muslim scholars who specialize in Islamic

banking. Some take the same position as the Australian commentator (see e.g. Chapra 1992; Choudhury 1998), arguing that Islamic economics in general needs to be exorcised of its Western underpinnings so that its true spirit will come forth. One prominent economist who specializes in economic theory in Islamic thought thus aroused fierce controversy when he sent the following e-mail to the Islamic Economics and Finance internet listserv:

Islamic economics and finance being entrenched body and soul in mainstream economic doctrines has remained without a distinctive birth-pang of its own. Its epistemology ... remained in foreign moorings just as the early rationalist Muslim scholars distorted the Qur'anic worldview with Greek thought. [It remains] subservien[t] to modernity rather than upholding [the] purity of human faculty to the Qur'anic worldview and its deep analytical vision (Islamic Economics and Finance internet listserv, 13 July 1999).

In a later posting, the same scholar invoked *tawhid*, or 'unity,' a core element of neo-Sufi and neo-Platonist Islamic theology (Hodgson 1984; Lapidus 1988). He also directly addressed the accounting criterion of decision-usefulness as a core element of Western economics:

What I am taking out of the Qur'an is the epistemology of *Tawhid* [*sic*] in which Allah is manifested as the Complete and Absolute in Knowledge Stock, from which premise emerges the immaculate premise of Unity as the Fundamental Unity. Yet this is a topological reality from which is derived the organization of flows of incomplete knowledge in the world-system, but that ever grows and unifies as it does so with the elements of the world-system ... [The] essence of pairedness is the resemblance of universal complementarity within the acts of systemic realization. Hence, the essence of Qur'anic pairedness is combined with the incompleteness of knowledge to know, creatively evolve and organize in the framework of the self-same unification of relations. Such a Process negates all claims on the agent to have full-information. Terminality and scarcity, marginalism and optimality of neoclassicism are totally replaced by the process-oriented, creatively learning and evolving universally complementary process in this Qur'anic framework of *Tawhidi* [*sic*] epistemology (Islamic Economics and Finance internet listserv, 15 July 1999).

Such an analytic move attempts to redraw the process of knowledge and the objects of the known. The '*tawhid* approach' demands a fundamental reconfiguration of epistemology – indeed, a dissolution of epistemology itself into the incompleteness of approaching but never reaching the overarching unity of divine thought, as if a limit-function.

Both within and beyond Islamic banking circles, this sort of argument is often cast as mystical, irrational, and 'othering'. More damning, it is considered 'impractical' – it does not generate the kind of facts that economic practice needs in order to 'work', much less to work 'efficiently'. And the criterion of practical workability is of signal importance in Islamic banking circles. As another prominent Islamic economics expert wrote, in countering the '*tawhid* approach', 'there is no point in trying to re-invent the wheel (especially if you don't end-up with a round one). The machinery of neo-Classical economics, and many of its assumptions, are mostly in harmony with the canonical Islamic texts ... as well as the opinions of Muslim jurists over the centuries' (Islamic Economics and Finance internet listserv, 17 July 1999).

What of this convergence? Or rather, why, for Islamic banking adherents who reject *tawhid*, is the convergence between neo-classical economic theory



and Islamic jurisprudence not unnerving (after Pemberton 1994: 9)? Do the facts of Islamic accounting invoke, in outside observers as well as devotees, trust and confidence in the stable entities and clear agents of Islamic banking? If so, they are less constitutive of an essential Muslim subject of economics than they are convincing for people like the vice-president of the Federal Reserve that the business practices from which they are distilled are sound, reputable, legitimate, and consistent with a wide range of alternative business practices that are not specifically Islamic. In this, they take on the same performative 'window-dressing' functions as the facts of conventional accounting that Carruthers (1995) has described.

Yet Islamic accountants must abstract the facts of Islamic accounting out of a field of practice. As is the case with conventional accounting, that process of abstraction, like induction generally, is never straightforward (Poovey 1998). A closer look at the technical problems for Islamic accounting that arise from Islamic banking practices shows that the question of Islamic accounting being merely 'window-dressing', or the more classically anthropological question of Islamic accounting's 'difference' from conventional accounting, is perhaps somewhat beside the point.

### Mudarabah *accounting in theory*

A *mudarabah* or profit-and-risk sharing contract is a ubiquitous financing mechanism in Islamic banking. In a classic (that is, medieval, not modern) *mudarabah*, the *rabb al-mal* (henceforth, depositor-investor) provides money to a *mudarib* (henceforth, manager) who uses it to conduct an agreed-upon business, and then returns to the depositor-investor the principal and a pre-set proportion of the profits.<sup>8</sup> Once he or she has turned over the money as an initial investment, the depositor-investor has the right to verify that the manager is complying with the terms of the contract, for the manager is not liable for any loss that occurs in the course of the business except when such loss occurs because of a breach of trust. There is an understanding that the manager will act according to the customary practice of any businessperson. Further, the depositor-investor has a right to share the profits as agreed upon at the contract's commencement. Finally, the depositor-investor has a right to a liability which is limited to the capital he or she initially invested. The manager is not permitted to commit any sum of money greater than the capital in hand to the partnership without the depositor-investor's authorization. Similarly, once the depositor-investor has handed over the initial investment as specified in the contract, the manager has no right to demand any further financial liability or contribution from him or her (see Vogel & Hayes 1998).

Modern Islamic banks can use *mudarabah* contracts to generate liquidity and turn a profit, acting as intermediaries between the depositor-investors and the managers of business ventures. In effect, modern Islamic banking takes the classic *mudarabah* contract and scales it up: the depositor-investor becomes the *rabb-al-mal* in relation to the bank, as *mudarib*, which manages the depositor-investor's money. At the same time, the bank assumes the position of the *rabb-al-mal* in relation to the business enterprise in which the bank invests, which

is the *mudarib* in relation to the bank. Under this scaling principle, the bank can accept money from many depositor-investors via the *mudarabah* contractual form and, in turn, can invest it in several different enterprises through the same *mudarabah* contractual form. Should the enterprises turn a profit, the enterprises, the bank, and the depositor-investors are entitled to a predetermined percentage of the profit. Should they turn a loss, the depositor-investors (and possibly the bank, depending on its operating principles) share in a predetermined percentage of the loss. The enterprises themselves (and also the bank) can pass off the loss to their depositor-investors, since the enterprises are considered to have 'lost' the expertise and labour invested in prosecuting the contracts.

*Mudarabah* provides a means for enterprise financing and a sort of consumer banking that are Islamically acceptable. Instead of financing its activities with interest-bearing loans, a business could accept funds from an Islamic bank and give up a predetermined percentage of its profits (and losses, effectively spreading some of the risk of doing business). Rather than a depositor earning interest on a savings account, the depositor-investor would earn a predetermined percentage of the profits (or losses, effectively bearing the risk of market activities) of all the enterprises in which the bank had invested the pooled resources of its depositor-investors.

*Mudarabah* presents a number of problems for conventional accounting. First, consider conventional accounting's 'entity theory', according to which accounting draws meaningful boundaries around business entities for the purpose of audit.<sup>9</sup> Entity theory poses problems for Islamic banks using *mudarabah* accounts, especially when it becomes time to account for *mudarabah* holdings on a balance sheet. *Mudarabah* contracts confound the clear boundaries between the entity taken into consideration for the purposes of accounting and its owners. In a *mudarabah* contract, the depositor-investor who contributes capital in return for a share of the profit or loss 'owns' that capital. The bank is 'managing' it and investing it in productive enterprises. The bank sees the depositor-investors on its own balance sheets, but the enterprises which receive the depositor-investors' capital from the bank do not. Yet the depositor-investors are the 'owners' of the ventures in which the bank has invested. And they are not merely financially responsible for them, but morally as well: should an enterprise engage in un-Islamic activities, then ethically the depositor-investors are just as much at fault as the bank.

In conventional accounting, the entity concept effects a separation between owners and corporate entities, morally insulating the former from the decisions of the latter; if owners disagree with a particular decision, they can vote at shareholders' meetings to change policies, or, more simply, disinvest. Accounting and audits are supposed to help them make exactly these sorts of decisions. But *mudarabah* contracts are a moral/ethical form that demands a close relationship, indeed, an identity, between the morality of the business ventures and that of the depositor-investors. Depositor-investors are in a sense insulated from the business ventures in which they have invested by the intermediation of the bank; they have no say in the activities of those ventures and have to rely on the bank's judgement to make wise investments. The bank's own venture, its own corporate status, meanwhile, is not a separate entity from the depositor-investors' capital, but is rather an extension of the

depositor-investors (Gambling & Karim 1991: 103).<sup>10</sup> Given this, how should an accountant 'entextualize', as it were, the entity for the purposes of an audit (Silverstein & Urban 1996)? How should the accountant draw meaningful boundaries around and abstract from the business practices of the depositor-investors, the bank, and the enterprises in which the bank has invested depositor-investors' money?

The second problem that *mudarabah* poses for conventional accounting concerns the separation of ownership from management in the corporate form (Berle & Means 1932; Maurer 1999). When corporations are managed by one set of individuals (managers) and owned by another (shareholders), the managers are obliged to act in the interests of shareholders. In other words, managers are the 'agents' of the shareholders, who are the 'principals' of the corporation. Yet the separation of ownership from management means that shareholders do not have access to the same information about the day-to-day operations of the corporation as the managers, and the postulate of self-interested maximization would suggest that managers would attempt to act in their own interests rather than those of the shareholders. The condition of 'information asymmetry' that obtains between agents and principals opens a space of possibility for the free rein of managers' self-interest.

An Islamic bank relying on *mudarabah*, however, has an agency relationship with two possible kinds of investors – those who invest in the financial company itself as shareholders and have voting privileges on its board, and those who simply deposit their money into *mudarabah* investment accounts.<sup>11</sup> Unlike an interest-bearing savings account, a *mudarabah* account carries no guarantee of return. The bank calculates the amount of profits (or losses) disbursed to investment account holders. At the same time, the bank calculates the amount of the profits (or losses) disbursed in the form of dividends to shareholders. In effect, the bank must take into consideration two sets of interests – those of the shareholders, and those of the depositor-investors – that are at odds with one another, since a loss to one is a gain to the other. For whom, then, is the bank the 'agent?' For whose decisions should any information produced by an audit of the bank be 'useful'? For some in the Islamic banking community, it makes sense to think of the bank as 'multiply-agentive'. This does not necessarily solve the agency problem, however, because it leaves open the question of how an accountant ought to delimit decision-useful information. In other words, as with entity theory, *mudarabah* creates an entextualization problem from the point of view of the accountant: how to delimit and bound and abstract from the field of practice the specifically relevant aspects of a bank's activity for depositor-investors and shareholders.<sup>12</sup>

The third problem that *mudarabah* poses for conventional accounting has to do with income. To calculate income, one must first determine the value of an entity's assets. And there are different methods for doing so. For example, how should one determine the value of real property held by the bank? Should one enter a value based on what one originally paid for it? Or should the calculation be based on the original purchase price adjusted for inflation, or even one based on projections of its value at some future liquidation date? From the point of view of Islamic banking, most calculations of value of this sort introduce the possibility of *riba*, usually glossed as 'interest' but defined

as illegitimate increase of any sort. This is because each of these calculations adds a value to the real property that is not specifically tied to any of the risks involved in holding the property. They constitute paper-based augmentations of value. Conventional accounting theory does offer an alternative to these methods of valuation, namely, 'current cash equivalent' valuation (CCE). CCE essentially demands that all assets be marked to market – based on the assumption that markets efficiently set prices and that the value of any item at any given moment in time is equal to the price of that item in an open and unrestricted market. Islamic accounting scholars (Gambling & Karim 1991; Ibrahim 1999) recommend that CCE be used to value assets in any determinations of income. Again, however, this is a particular kind of entextualization problem: in this case how should the accountant record the value of real property?

Consider the effect of *mudarabah* on the three legs of conventional accounting. Entity dissolves, or, rather, multiplies, into proprietors. Agency disperses into multiple agents. And income becomes disaggregated and temporally fixed into contemporary assessments of cash equivalencies, in a continuous and real-time marking to market. Each leg undergoes a sort of fractal transformation: each component part of the account is a smaller version of the whole, in a potentially infinite reiteration at all levels of scale. Imagine a ledger for an Islamic bank. Contained within it would be ledgers for each *mudarabah* account and, within those, ledgers for each proprietor. Imagine the budget line for income: within each would be a constantly changing figure based on continuous and indefinite valuation through the marking of assets to the market. This marking to market is a recursive process that guarantees the perpetuation of the fractal pattern of the imaginary *mudarabah* account. The multiple agents constituted by multiple proprietors lend a 'scaling shape' to the imaginary account: 'there are similar patterns at different scales' at whatever level of entity the imaginary accountant looks, and 'enlarging a tiny section will produce a pattern that looks similar to the whole picture, and shrinking down the whole will give us something that looks like a tiny part' (Eglish 1999: 18). Our imaginary fractal account begins to resemble nothing so much as the knowledge-flows of *tawhid*, where epistemology dissolves into the unity of divine thought.

### *Mudarabah accounting in practice*

I ask my reader to imagine a fractal ledger because there are no real ones to show. The fractal form was only revealed to me when, out of utter desperation and confusion over the multiple levels of ownership possible with nested contracts, I asked people to draw me the mechanisms of *mudarabah*. I discuss one such example below (see Figure). But the accounting books of Islamic banks and the accounting standards put forward by the AAOIFI are hardly fractal or neo-Platonist. Indeed, what is so striking about their standards is that they are virtually silent on the practical and epistemological problems which *mudarabah* might pose for conventional accounting. In effect, they erase the oneness of *tawhid* in the *mudarabah* form. Like other documents of bureaucratic rationality, the AAOIFI standards provide clear rules, straightforward jus-

Person A borrows 10,000 Rp. and with it earns a profit of 1000 Rp. That profit is divided as set out below, where each number represents a separate entry in the ICCA ledger.

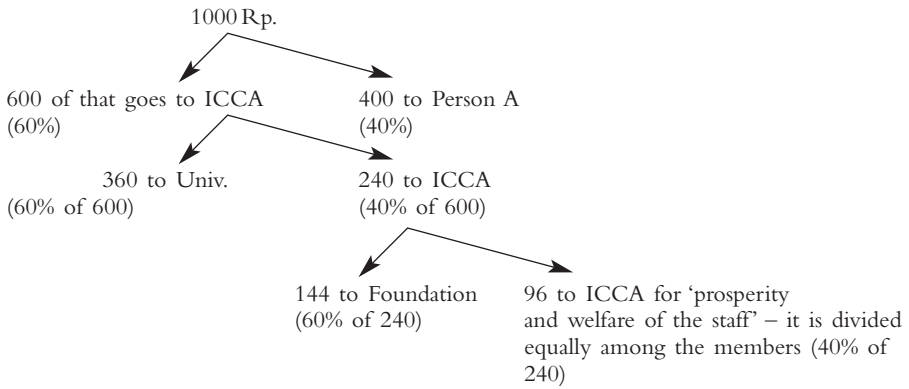


FIGURE. Nested *mudharabah* in the Islamic Co-operative Credit Association (ICCA), Makassar.

tifications for those rules, and guidelines for following the rules. The standards explicitly invoke the need for impartiality, consistency, universal applicability, and procedural precision. The very form in which they are presented embodies these principles: the standards are labelled with a letter or number and divided into sections, subsections, and paragraphs. In this form, they embody order and logic and hierarchy, appealing to bureaucratic reason and logic recast as fundamental human nature. A subsection of AAOIFI Standard A, headed ‘The importance of establishing objectives’, begins:

Human experience proves that any work which does not have clear objectives encounters limitations, conflicts, and blurred vision in its implementation. Financial accounting and financial reporting are no exception to this precept. Accounting scholars and practitioners alike have found that the process of developing financial accounting standards without establishing objectives leads to inconsistent standards which may not be suitable for the environment in which they are expected to be applied (AAOIFI 2000 A.4.1).

That said, the objectives of the AAOIFI standards are the same as for any set of accounting standards: the provision of decision-useful facts for large investors, not for small depositors or *mudharabah* account holders. *Mudharabah* accounts are treated exactly like any other liability, and exactly like deposit accounts in a conventional bank. The problems that *mudharabah* poses for conventional accounting are transformed into non-problems, the practices of Islamic accounting are identical to conventional accounting, and the distinction between the two seems to disappear.

Two brief examples will suffice to illustrate the non-problem of *mudharabah* accounting. The first is the 1999 Annual Report of Bank Muamalat Indonesia (BMI), the largest Islamic bank in that country (Bank Muamalat Indonesia 1999). Unlike most other financial institutions, BMI weathered Indonesia’s recent financial crisis (1998-2000) rather well and has entered the

post-Suharto *era reformasi* in a better position than almost all other banks. Its success during the crisis was due in no small measure to the fact that its consumer-based liabilities are in the form of *mudharabah* accounts rather than conventional savings accounts. When the Indonesian currency, the rupiah, lost 600 per cent of its value against the US dollar between August 1997 and February 1998, most banks could not meet their obligations to their depositors, and folded. BMI's investments in 'real' assets, however much affected by inflation and the crisis, proved more stable than the debt-based investments of conventional banks. For example, profit-and-loss sharing investments in the export commodity sector actually brought increased profits as the rupiah's value fell. As a direct result of the crisis, cities in provinces that rely heavily on export commodity production became boom towns, and many rural producers found themselves suddenly rich. As one banker in Makassar (formerly Ujung Pandang), South Sulawesi, told me, 'The monetary crisis was the best thing that ever happened to South Sulawesi'.<sup>13</sup>

BMI's ledger, however, hides the role of *mudharabah* accounts in its success by recording them as simple liabilities, exactly as AAOIFI standards suggest that this should be done. They are treated under the category *Kewajiban*, 'obligations' or 'liabilities', and placed under the heading *Simpanan*, or 'deposits', as *Tabungan Mudharabah* or 'Mudharabah savings accounts'. *Tabungan* is derived from the word *tabung*, a 'bamboo tube used for storage' (Echols & Shadily 1997: 540), evoking an image of money hidden in a sack in the rafters of a house rather than invested in productive enterprise.<sup>14</sup> AAOIFI procedures thus convert living agreements into dead savings, skirting the problems of accounting for all the nested and hierarchical contractual agreements of *mudharabah*.

The second example is from a small Islamic co-operative credit association (ICCA) in Makassar, organized for the benefit of teachers and students at a local Muslim university.<sup>15</sup> ICCA, in the words of its manager, 'operationalizes the university's credit' as part of the university's government-mandated role to support local businesses. With seed money from a faith-based private foundation, ICCA provides two types of credit to members of the university community and small business owners in town. Small business owners – mainly street vendors – enter into *mudharabah* agreements with ICCA, while ICCA enters into *mudharabah* agreements with the university and the foundation, in a nested hierarchy. All the contracts stipulate a pre-set profit-and-loss sharing ratio of 60 to 40 per cent. In a contract with a street vendor, the profits are divided on a 60:40 ratio in favour of ICCA. Of ICCA's 60 per cent of the profits, 60 per cent is returned to the university, while 40 per cent is retained by ICCA itself. Of that 40 per cent, 60 per cent is returned to the foundation that originally granted the university funds to set up ICCA, and the remaining 40 per cent is for the 'prosperity and welfare of the staff' of ICCA (see Figure).

In addition to this form of 'productive credit',<sup>16</sup> members of the university community can borrow from ICCA to make purchases of consumer goods like clothes, electronics, or household items. Consumption loans are interest-bearing, in spite of ICCA's Islamic credentials. The interest rate is back-calculated from the effective rate of return of ICCA's productive *mudharabah* accounts with street vendors. In other words, in the example in the Figure, ICCA earns an effective rate of return of 9.6 per cent. In a consumption loan,



then, ICCA would charge 9.6 per cent interest. This is a calculation made possible by ICCA's ledger-books, which, like BMI's, enter *mudarabah* accounts as deposit-type liabilities. It is only by aggregating *mudarabah* accounts with street vendors into one balance-sheet item that they can be offset by consumption loans to university staff and students. Not only are the fractal accounting problems of *mudarabah* skirted here, but so, too, is the prohibition of interest. This evasion is made possible by AAOIFI standards that allow *mudarabah* accounts to enter the liabilities side of the double-entry account; in this way there is no acknowledgement that they differ from regular deposits, either conceptually, or in relation to Shar'ia conventions. In the global Islamic banking community, income derived from interest can be 'purified' by offsetting it with 'pure' forms of income or by giving it away in charity. This is what ICCA's accounting procedures have allowed it to do.

The accounting trick is made more dramatic by the fact that ICCA currently has extended consumption loans totalling 700 million Rp., and shares productive *mudarabah* accounts with vendors totalling 100 million Rp.<sup>17</sup> It has 700 clients with outstanding consumption loans, and only about 70 with *mudarabah* accounts. In other words, the AAOIFI standards have allowed ICCA to base a rate of interest for the 90 per cent of its clients who borrow for purposes of consumption on the rate of return generated by only 10 per cent of its clients and extrapolated into a general principle – into a literal 'rate of return' without regard for the actual value of that return at any given point in time. In theory, and in the books, consumption loans are backed by productive *mudarabah*. This helps ICCA both to extend credit and to achieve Shari'a compliance. In practice, however, productive *mudarabah* could only cover about one-seventh of the outstanding loans.

Notice how closely the nested *mudarabah* accounts resemble the fractal transformation of conventional accounting discussed earlier. There are similar patterns at every scale, both within the ICCA's structure of *mudarabah* accounts and between ICCA's structure and the pattern suggested by *mudarabah*'s infolding and multiplication of the three legs of conventional accounting theory: entity, agency, and income. *Mudarabah* accounting in practice has the structure of the knowledge-flows of *tawhid*. It permits a detour to consumption-orientated, interest-bearing credit on the way to divine oneness. But then again, that detour is already built into the design.

### *Accounts of Islamic accounting*

For some, the procedures through which the AAOIFI extrapolates 'best practices' out of existing practices and translates those into standards are highly suspect. Complaining in an on-line forum about the changes of direction that he felt Islamic finance was taking so as to satisfy the demands of 'standardization', one Islamic accounting specialist argued, 'If Islamic economics must make U turns to remain in business, I suggest that we cut the whole crap and join mainstream *riba* economics under the *fiqh* [legal] category of *dharurah* [necessity] and the modern criteria of efficiency' (Islamic Economics and Finance internet listserv, 14 Sept. 1999).<sup>18</sup> Another, however, responding to the demand that an Islamic accounting must somehow be 'Islamic', replied,

Accounting in whatever sense or use whether it be for Islamic purposes or otherwise is only meant to be used as a science to enable an organization to identify, assemble, analyse, calculate, classify, record, summarize and report transactions and other events ... Accounting is only a method of presentation of facts and figure [sic] about an organization in such a manner that the user can use that info according to his own needs whether the need is the promotion of welfare or something else (Islamic Economics and Finance internet listserv, 5 Feb. 2000).

A third replied, to this second interlocutor:

I had the same thoughts as you a few years ago, insisting that Accounting is a technical subject and therefore there is no question of an Islamic or Christian or Buddhist Accounting ... Unfortunately, modern corporate accounting is not a matter of just numbers but a whole philosophy. Accounting can lead to perceptions of reality ... Ultimately, what accounting tells us [is that] what makes more money is the best thing. Over time, people will become mesmerised with this infatuation [sic] and act accordingly (Islamic Economics and Finance internet listserv, 7 Feb. 2000).

That the debate is framed in the same terms as contemporary academic theorizations of the social construction of reality reveals a convergence between internal debates about Islamic accounting and critical accounting scholarship. As one Islamic accounting scholar writes, citing a classic article in that scholarship, 'Islam accepts the fact that accounting is a social construction (Hines 1988) and itself constructs social reality but this social reality which the accounting constructs must conform to the dictates of Islamic belief' (Ibrahim 1999: 17). Rifaat Ahmed Abdel Karim, one of the figures responsible for the creation of the AAOIFI, was a former student of the accounting theorist, Trevor Gambling. The two co-authored the book, *Business and accounting ethics in Islam*, a work deeply influenced by social accounting theories (Gambling & Karim 1991).

What interests me here is the convergence between the creation of AAOIFI international accountancy standards, the internal debate on Islamic accountancy, and ethnography. Like ethnographers (and like early twentieth-century compilers of the United States's Uniform Commercial Code, one of whom was an ethnographer),<sup>19</sup> the members of the AAOIFI have observed, recorded, and compiled the 'best practices' of Islamic accounting world-wide and abstracted from them a written set of proscriptive rules for Shari'a-compliant accountancy. Like ethnography, this process includes the debates about the process itself, embodied in the comments of Islamic accountants who echo critical accountants – or, rather, share the same field of discourse and citational authorities, and the same techniques for generating knowledge. Knowledge is produced through shifts in scale, levels of abstraction from a 'reality'. In internal debates over Islamic accounting, as in critical accounting, there is a further instrumentalization of the knowledge thereby produced. As a construction, social reality is cast as a particular kind of resource, something that can be used for specific purposes, something that can be struggled over like a terrain. At the same time it is something that can create or instantiate other things in people and social spaces: it is a construction that can make more constructions. It creates 'values' and 'behaviours', as well as, recursively, itself, even as it is the product of such values and behaviours. It has parts, which are related to other parts – either explicitly, by the actors in social

worlds themselves, or implicitly, only to be drawn out by social analysts determining the distinctions between domains, between form and content, text and context, and subjective from objective.

The fact that the techniques of knowledge in Islamic accounting, critical accounting, and anthropology are the same should lead us to explore their metapragmatics in the debates and practices that call accounting forth as a topic of concern for differently positioned social persons. This means engaging in a sort of 'triangulation' and studying the entextualization/contextualization processes that produce social realities (and produce them as something both constructed and productive): here, Islamic accounting practice, Islamic accounting standards, critical accounting scholarship, and debates over the status of constructivism in Islamic accounting and social science (see Silverstein & Urban 1996: 4-5). These techniques of knowledge involve transformations in the scale of phenomena: nested hierarchies of practice, as in the credit co-operative example (Figure), and both the erasure of those hierarchies, as in international Islamic accountancy standards and Bank Muamalat Indonesia practice, and the making explicit of those hierarchies, as in the internal debate over Islamic accounting. In that debate, it should be recalled that the techniques make up the flows of divine knowledge into an always already-present unity that paradoxically is founded in its own unfolding incompleteness.<sup>20</sup>

*Conclusions: Shari'a-compliant levels of analysis and anthropological tawhid*

The fact that AAOIFI standards ended up mirroring other, 'conventional' international accountancy standards does not mean that 'Shari'a compliance' (or Islamic banking and finance) is simply standard practice with 'Islamic' window-dressing. AAOIFI standards do not produce information that serves the rhetorical 'function' of marking organizational practice as 'Islamic' or 'Shari'a compliant' practice. Rather, AAOIFI standards and organizational practice exist in a co-ordinated relationship, and that relationship produces a grammar that makes the distinction between 'rhetorical' and 'technical' and 'Shari'a compliant' and 'conventional' intelligible and real. Is there a difference between Islamic accounting and conventional accounting? The answer depends on the analytical status of the unmarked (and implicit) terms in each: the (non-religious) modern bureaucratic practices of standardization, and the (non-religious) status of conventional accounting. The Shari'a, after all, is not a book of rules but a system of rule-making, a meta-grammar for securing the conditions for the practice of Islamic virtues in a morally organized universe.<sup>21</sup> Following those rules calls forth 'Shari'a compliance', even if the product looks exactly like conventional international accountancy standards, because the performative linguistic event here is the co-ordination of the AAOIFI standards with the accounting practices.

The AAOIFI standards do not so much replace religious authority as reveal the rhetoricity of conventional accounting practice. They do so through their own failure, a failure noticed by some *tawhid*-orientated participants in the debate over Islamic accounting, just as critical accounting scholars note the failures of conventional accounting. The failure of the former, to the extent that it is a failure 'of Islam', is of cosmological significance. That failure does

not derive from the act of trying to create standards, however. It is not a product of the bureaucratic standardization of Islamic principles. From the Islamic accounting standpoint – as for the critical accountants – bureaucratic standardization is a social and cultural process, embedded with and productive of social and cultural values. The task, as the Islamic accountant quoted above put it, is to construct an accounting knowledge that will create different values. So, the failure can be reversed, or changed, the culture thus constructed anew.

The invocation of values here is an instrumentalist one, and assumes a subject capable of choosing and manipulating values for specific ends, not a subject constituted by them. At the same time, however, Islamic accounting makes explicit that which is only implicit in conventional accounting. The fractal form of *mudarabah* accounts and the fractal form of *tawhid* are of a unity with the techniques of knowledge of anthropology, conventional accounting, and critical accounting. In their recent rethinking of the status of accounting as a form of knowledge production, some accounting scholars and cultural critics have moved away from the position that accounting has rhetorical functions and, instead, put forward the idea that accounting is itself a form of rhetoric (Poovey 1998). I am arguing that it is a very specific form of rhetoric that occludes its own rhetoricity. It renders itself a transparent practice of recording facts already there in the world and in the process denies its own status as a modality of argumentation constituted by various levels of scale: a set of rules for making things tell-able (in Garfinkel's sense), a tool kit for constructing those rules, and the metapragmatic *ad hoc* and *post hoc* relating of those rules to each other and to actual practices. Poovey is absolutely right in arguing that the very separation of (mathematical) technique from (linguistic) rhetoric was itself an effect of the invention of double-entry accounting. And those who hold out *tawhid* as the unity of flows of incomplete knowledge are also correct in revealing the oneness of apparent levels of the cosmos, or, here, levels of analysis that make up a modality of argument.<sup>22</sup>

In *Partial connections*, Marilyn Strathern (1991) observed that ethnographic research and ethnographic comparison have traditionally proceeded through transformations of scale: the singular fieldworker apprehended 'culture' by talking to multiple informants and abstracting general principles. What emerged for the singular fieldworker was not just the particularity of each individual encounter or informant, but 'more'; this more was generalized as the culture of a people (Strathern 1991: 9). The problem of perspective arose when the field of the ethnographer's vision came into question: it was necessarily limited, only 'one' perspective on the flow of social life. With certain ethnographic subjects, Hagen flutes as well as accountancy, the problem gets compounded, as the anthropologist's 'contexts and levels of analysis are themselves often at once both part and yet not part of the phenomena s/he hopes to organize with them. Because of the cross-cutting nature of the perspectives they set, one can always be swallowed by another' (Strathern 1991: 75). In such cases the ethnographic object and ethnographic practice seem 'out of scale', and the logic of proportionality undergirding anthropological analytics seems to fall off-kilter (Strathern 1991: 75) – or at least to be made explicit as an 'organizational facility of Western pluralist cultural life' (Strathern 1991: xx). Once it is made explicit, however, it can be put to use. Strathern argued that the fractal form could provide a way out of the sameness/difference and singular/plural frame-

works of anthropology and create 'maps without centres and genealogies without generations' (Strathern 1991: xx).

The sections of this article could each be understood to represent one 'level' of abstraction: the practice of Islamic accountancy, the theory of Islamic accountancy, the internal meta-level debates about Islamic accountancy, and the spirit of Islamic capitalism animating the whole. But within each 'level' the same pattern has emerged, and each apparent level could easily be encompassed by any of the others. The distinction between data and theory collapses, or resolves itself into the self-same pattern at another level of abstraction. The significance of Islamic accounting, then, is not its religious basis or veneer, the 'culture' behind it or the 'values' it generates in turn. Instead, its significance is that in striving for Shari'a compliance, Islamic accounting throws itself into the open-ended metapragmatics that themselves demonstrate accounting's fractal form. The challenge for conventional accounting, as for its critical social scientific and anthropological accounts, is to be as open-ended and necessarily incomplete-yet-whole as *tawhid*, to dissolve itself as it approaches but never reaches the limit of the knowable.

#### NOTES

Research was supported by a grant from the National Science Foundation, Law and Social Science Program (SES-9818258). The opinions expressed here are my own and not those of the NSF. I offer apologies in advance to readers in the Islamic banking world for my incomplete attempts to bring Islamic accountancy to an anthropological audience. I thank Tom Boellstorff, Katherine Ewing, Charles Hirschkind, Karen Leonard, Saba Mahmood, Diane Nelson, Kyriaki Papageorgiou, Richard Perry, Annelise Riles, and Marilyn Strathern for comments and guidance. Three anonymous *JRAI* reviewers provided insightful commentary and pushed me to develop the implications of my argument. All errors and inconsistencies remain my responsibility alone.

Fieldwork was conducted in the summer of 2000 in Makassar, South Sulawesi, as part of a larger project on international Islamic banking. I interviewed representatives from two Islamic insurance businesses, all the major banks including the Islamic bank, an Islamic credit co-operative, two small community co-operatives, and the Makassar branch of the Jakarta Stock Exchange. I also conducted interviews with students, academics, Indonesian NGO employees, and their friends (some with little knowledge of Islamic banking and others with a considerable amount, including in two cases university training). Formal interviews were taped. All were conducted in Indonesian (and, with financial professionals, a smattering of English). All save one were conducted with the assistance of a fluent speaker, Tom Boellstorff, to whom I offer profuse thanks.

<sup>1</sup> I am inspired by Annelise Riles's (2000; n.d.) writings on appreciating tools as tools in themselves rather than as means towards specific analytical ends.

<sup>2</sup> At the time of writing, such countries include Brunei, Iran, Pakistan, and the Sudan.

<sup>3</sup> I do not wish to downplay the importance of the Saudi backing of Islamic banking and finance world-wide, but I do wish to flag the great significance of the three sites I have listed to the continuing vitality of 'Islamic economics' as an academic discipline and a field of expertise. An analysis of world wide web links reveals that the Harvard Islamic Finance Information Program, the Institute for Islamic Banking and Insurance, and the India-based Islamic Finance Net (itself founded by a former affiliate of IIBI in London) are the main nodes in the internet presence of Islamic banking. To take another example, while Saudi money played a key role in the establishment of Bank Muamalat Indonesia, representatives of BMI go to the IIBI office in London to hold meetings with prospective international investors.

<sup>4</sup> References are to e-mail postings to the Islamic Economics and Finance internet listserv. I have been maintaining an archive of this list since its inception in 1998. A web portal for this list exists at <<http://islamic-finance.net>> and the list is maintained by <[ibfnet@yahoo.com](mailto:ibfnet@yahoo.com)>.

<sup>5</sup> In contrast, websites offering products like software or books to Muslims often contain links to other vendors, with specific product recommendations. Often the links will come with warnings such as 'Shia site ... Take only what you need'. On the ways in which internet media may be challenging traditional systems of textual and interpretative authority in the Muslim world, see Anderson (1999).

<sup>6</sup> On offshore finance, see Hampton (1996), Maurer (1997), and Roberts (1995).

<sup>7</sup> Critics of accounting practice have pointed out the shortcomings of the decision-usefulness criterion. Concerned with 'accountability' broadly conceived, such scholars are interested in the social or environmental effects of business practices and the role of accounting in informing variously defined publics about those effects (Hopwood & Miller 1994; Tinker 1985).

<sup>8</sup> For the purposes of this article, such terms should not be understood as 'transliterations' from Arabic. They are in fact 'internationalizing' Islamic banking terms that are widely used in both spoken and written non-Arabic sentences. I follow the spelling conventions that have emerged in this field for renderings of these terms in Roman script.

<sup>9</sup> Consider, for the sake of contrast, a non-Islamic, 'conventional' bank. It is a financial corporation owned by shareholders and managed to generate profits for shareholders. Depositors, who are distinct from shareholders, deposit their money in the bank and earn interest. For an auditor or accountant, the main accounting problem has to do with the relationship between the financial institution and its shareholders, not necessarily its depositors. The depositors are guaranteed a rate of return through interest. In the United States and elsewhere, depositors are also protected against bank failure by federal deposit insurance. The shareholders, however, are directly concerned with the performance of the bank as a business since they have invested their capital in it and would like to see returns, not losses. Shareholders, as bearers of the risk of running the business of the bank, are not (theoretically) similarly protected, and so have an interest in the 'decision-usefulness' of the bank's annual report as produced and verified by independent auditors.

<sup>10</sup> One alternative to entity theory in conventional accounting, advocated by some in the Islamic banking community, is the 'proprietary theory'. Here, emphasis is on the 'proprietor', or owner, who is interested not in 'income' *per se* but rather in current financial standing (Gambling & Karim 1991).

<sup>11</sup> It does not have to be this way: some Islamic banking professionals imagine a bank in which the depositor-investors and the shareholders are one and the same. During my research I came to know an Islamic banker who is committed to this vision of Islamic banking but nevertheless has had to rely on funds from his shareholders in order to maintain the bank's liquidity. Banks that generate capital with *mudarabah* contracts and lend money to others through leasing contracts (*ijara*) often face liquidity problems. Capital adequacy norms, which regulate the amount of cash a financial institution must have on hand at any given moment, may help in addressing these problems.

<sup>12</sup> An anonymous reviewer notes that this mirrors the trade-offs between the interests of debt and equity in conventional finance. Indeed, except for the moral valences that the multiple-agent problem presents for Islamic banking – valences of cosmological significance, for some – they are identical. I argue below that the question of the relationship between conventional accounting and Islamic accounting ought to be displaced from the framework of similarity/difference and onto that of the limits of perspectival knowledge. These limits are suggested by the material itself. Rather than viewing the problems of perspective in accountancy as merely data to be described, my aim here is to make use of those problems for a new kind of anthropological analysis.

<sup>13</sup> Nearly twice as many people from South Sulawesi were able to make the pilgrimage to Mecca in 2000 as in 1998 (Departemen Agama 2000). This was exploited by banks and other organizations that sought to produce ingenious 'Islamically acceptable' savings schemes to assist those seeking to make the journey. I have written about these, and their implications for the money form, in Maurer (2002).

<sup>14</sup> The same term has been used for years in Indonesia for conventional savings accounts. For some in the Islamic banking community, the metaphor would be questionable. I have heard several retellings of the biblical parable of the talents (Matt. 25:14-30) during the course of my research. In the parable, the sons who invested the father's riches in productive enterprises while he is away are rewarded, while the one who hid the riches to keep them safe is cast out. People I interviewed agreed that Islam, on the whole, has an easier time understanding the pursuit of



wealth as divinely sanctioned than does Christianity which, despite the parable of the talents, always seems to put greater stock in poverty.

<sup>15</sup> In the following example, the numbers and relationships are real, but the names have been changed to protect the identity of this credit association, its clients, staff, and affiliates.

<sup>16</sup> He used the Indonesian expression, *kredit produktif*. Mohammad Hatta, the first vice-president of Indonesia after independence, used the term to differentiate between prohibited interest and permissible interest-bearing loans for enterprise (Rahardjo 1988).

<sup>17</sup> In July–August 2000, the rupiah was trading at around 8,200 to the US dollar (although it fluctuated between 8,100 and 9,000). Each client for consumptive credit was borrowing about \$US120.

<sup>18</sup> *Fiqh*, glossed as ‘understanding’, refers to doctrinal rulings in Islamic law. Such rulings can be made based on *ijma*, consensus (of *fiqh* scholars), or *ijtihad*, individual interpretation.

<sup>19</sup> E. Adamson Hoebel, with Karl Llewellyn, distilled ‘best practices’ from the field of early twentieth-century state-to-state commerce within the United States.

<sup>20</sup> The paradox is evident only when seen within Christian metaphysics; it is not a paradox in the epistemology of *tawhid*. Indeed, *tawhid* would query ‘metapragmatics’ as a level ‘above’ pragmatics, preferring instead to see lateral movement and an encompassment of spheres of analysis.

<sup>21</sup> I thank an anonymous reviewer for suggesting this phrasing.

<sup>22</sup> A recent book on *tawhid* in Islamic science (Bakar 1999) illustrates the principle with a diagram from Smith’s (1976) book on ‘primordial mysticism’. It consists of concentric circles around a line-drawing of a human figure. ‘Levels of reality’ and ‘levels of selfhood’ are encompassed by the same spheres, such that the highest level of reality, the ‘infinite’, at the top of the diagram, is within the same concentric ring as the deepest level of selfhood, the ‘spirit’. The diagram is titled, ‘As above, so below’ (Bakar 1999: 25, fig. 3).

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## **Les savoirs anthropologiques et comptables dans les affaires bancaires et la finance islamiques: une reconsidération de la comptabilité critique**

### *Résumé*

Rendre compte de la comptabilité exige que l'on accorde une attention renouvelée aux pratiques du savoir de la profession comptable et de l'analyse anthropologique. En me servant de données et de théories tirées de la comptabilité islamique en Indonésie et du réseau global d'ingénieurs financiers islamiques, cet article remet en cause le travail fait sur les fonctions rhétoriques de la comptabilité en portant l'attention sur la réflexivité inhérente tant à la pratique comptable qu'à la pratique comptable à l'égard de la comptabilité. Une telle démarche est nécessaire car les études critiques sur la comptabilité ont été relevées par les débats islamiques sur la forme des savoirs comptables, autant qu'elles en sont le reflet. Cet article examine le travail que la littérature comptable endorse en découpant des domaines putativement stables du technique et du rhétorique, et il présente des arguments en faveur d'une réévaluation des techniques utilisées pour créer le savoir anthropologique à la lumière des nouvelles cultures comptables.

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