



**MORAL COMPETENCIES OF FUTURE MUSLIM
ACCOUNTANTS IN MALAYSIA**

BY

UMARU MUSTAPHA ZUBAIRU

**A thesis submitted in fulfilment of the requirement for the
degree of Doctor of Philosophy in Accounting**

**Kulliyyah of Economics and Management Sciences
International Islamic University Malaysia**

JULY 2017

ABSTRACT

The moral credibility of the accounting profession has been left in disarray over the last two decades due to a rash of accounting scandals over that period. In a bid to restore the integrity of the profession, universities have been suggested as key stakeholders to produce morally competent future accountants. The Malaysian government has subscribed to this notion, as evidenced by its recent policy initiatives that task Malaysian universities to emphasise the moral development of their students. It is against this backdrop that this study sought to evaluate the impact of the ethical climate of Islamic universities in Malaysia on the moral competencies of the country's future Muslim accountants. The study had five objectives: 1) to develop a profile of a morally competent Muslim accountant, 2) to develop an instrument that would measure the ethical principles that make up the profile of a morally competent Muslim accountant, 3) to compare between the moral competencies of second-year and fourth-year Muslim accounting students, 4) to compare between the moral competencies of fourth-year Muslim accounting students enrolled in Islamic universities and the moral competencies of the fourth-year Muslim accounting students enrolled in conventional universities and 5) to identify and assess the strengths and weaknesses in the moral competencies of Muslim accounting students enrolled in Islamic universities. Specifically, the International Islamic University Malaysia (IIUM) and Universiti Sains Islam Malaysia (USIM) were selected as they were the only Islamic universities that have accounting programmes accredited by the Malaysian Institute of Accountants. Universiti Utara Malaysia (UUM) and Universiti Teknologi Mara (UiTM) were selected as control universities. An ethical scenario-based instrument titled the Muslim Accountant Moral Competency Test (MAMOC) was developed with the collaboration of five Islamic accounting scholars to measure the moral competencies of second-year and fourth-year accounting students in the selected universities. MAMOC was completed by a total of 764 students (IIUM – 125 second-year and 72 final-year; USIM – 67 second-year and 88 final-year; UUM – 133 second-year and 101 final-year; UiTM – 83 second-year and 95 final-year). T-tests were used to compare the moral competencies of second-year Islamic university students and fourth-year students; there was no significant difference in the moral competencies of these two groups after controlling for religiosity. T-tests were also used to compare the moral competencies of fourth-year students from Islamic universities and conventional universities; the results showed that Islamic-university fourth-year Muslim accounting students had significantly higher moral competencies than their conventional university counterparts. Although the results revealed that the ethical climate of Islamic universities had a greater impact on the moral competencies of Muslim accounting students as compared to the impact of conventional universities, an overall assessment of the moral competencies of the students revealed that there is significant room for improvement, particularly in the area of selecting Islamically-appropriate jobs and avoiding dealing with interest. There is thus a crucial need for Islamic universities in Malaysia to review the ethical content of their curricula in order to address the weaknesses in moral competencies of Muslim accounting students that were revealed in this study.

خلاصة البحث

لقد تركت المصدقية الأخلاقية لمهنة المحاسبة في حالة من الفوضى على مدى العقدين الماضيين بسبب مجموعة كبيرة من الفضائح المحاسبية خلال تلك الفترة. وفي محاولة لاستعادة سلامة المهنة، اقترحت الجامعات بوصفها جهات فاعلة لإعداد المحاسبين المؤهلين أخلاقيا في المستقبل. وقد انضمت الحكومة الماليزية إلى هذه الفكرة، كما يتضح من مبادراتها السياسية الأخيرة التي تكلف الجامعات الماليزية بالتأكد من التطور الأخلاقي لطلابها. وفي ظل هذه الخلفية سعت هذه الدراسة إلى تقييم تأثير المناخ الأخلاقي للجامعات الإسلامية في ماليزيا على الكفاءات الأخلاقية للمحاسبين المسلمين في المستقبل. تهدف الدراسة إلى خمسة أهداف هي: (1) تطوير صورة لمحاسب مسلم مختص أخلاقيا. (2) تطوير أداة لقياس المبادئ الأخلاقية التي تشكل صورة المحاسب المسلم المؤهل أخلاقيا. (3) المقارنة بين الكفاءات الأخلاقية لطلاب المحاسبة المسلمين في السنة الثانية والرابعة. (4) المقارنة بين الكفاءات الأخلاقية لطلاب المحاسبة المسلمين في السنة الرابعة المسجلين بالجامعات الإسلامية والكفاءات الأخلاقية لطلاب المحاسبة المسلمين في السنة الرابعة المسجلين بالجامعات التقليدية. (5) تحديد نقاط القوة والضعف وتقييمها في الكفاءات الأخلاقية لطلاب المحاسبة المسلمين المسجلين بالجامعات الإسلامية، وعلى وجه التحديد، قد تم اختيار الجامعة الإسلامية العالمية ماليزيا (IIUM)، وجامعة العلوم الإسلامية ماليزيا (USIM) بوصفهما جامعتين إسلاميتين فحسب تمييزان ببرامج المحاسبة المعتمدة من المعهد الماليزي للمحاسبين. كما تم اختيار جامعة أوتارا ماليزيا (UUM)، وجامعة تكنولوجية مارا (UiTM) بوصفهما جامعتين مراقبتين. وقد تم تطوير أداة قائمة على السيناريو الأخلاقي بعنوان: اختبار الكفاءة الأخلاقية للمحاسب المسلم (MAMOC) بالتعاون مع خمسة علماء المحاسبة الإسلامية لقياس الكفاءات الأخلاقية من طلاب المحاسبة في السنة الثانية والسنة الرابعة في الجامعات المختارة. وانتهى اختبار الكفاءة الأخلاقية للمحاسب المسلم (MAMOC)، من مجموعة 764 طالبا وطالبة (الجامعة الإسلامية العالمية ماليزيا (IIUM) - 125 من السنة الثانية و 72 من السنة الأخيرة؛ جامعة العلوم الإسلامية ماليزيا (USIM) - 67 من السنة الثانية و 88 من السنة الأخيرة؛ جامعة أوتارا ماليزيا (UUM) - 133 من السنة الثانية و 101 من السنة الأخيرة؛ جامعة تكنولوجية مارا (UiTM) - 83 من السنة الثانية و 95 من السنة الأخيرة). وتم استخدام اختبارات الفحص الإحصائي (T-tests) لمقارنة الكفاءات الأخلاقية لطلبة الجامعة الإسلامية في السنة الثانية وطلبة السنة الرابعة. لم يكن هناك فرق كبير في الكفاءات الأخلاقية لهاتين المجموعتين بعد السيطرة على التدين. كما استخدمت اختبارات (T-tests) لمقارنة الكفاءات الأخلاقية لطلبة السنة الرابعة من الجامعات الإسلامية والجامعات التقليدية؛ أظهرت النتائج أن طلاب المحاسبة المسلمين في

السنة الرابعة لديهم كفاءات أخلاقية أعلى بكثير من نظرائهم الدارسين في الجامعات التقليدية. على الرغم من أن النتائج كشفت أن المناخ الأخلاقي للجامعات الإسلامية كان له تأثير أكبر على الكفاءات الأخلاقية لطلاب المحاسبة المسلمين بالمقارنة مع تأثير الجامعات التقليدية، وكشف تقييم شامل للكفاءات الأخلاقية للطلاب أن هناك مجالا كبيرا للتحسين، ولا سيما في مجال اختيار الوظائف الإسلامية المناسبة وتجنب التعامل مع الربا. وبالتالي هناك حاجة ماسة للجامعات الإسلامية في ماليزيا لمراجعة المحتوى الأخلاقي لمناهجها من أجل معالجة نقاط الضعف في الكفاءات الأخلاقية لطلاب المحاسبة المسلمين التي تم الكشف عنها في هذه الدراسة.

APPROVAL PAGE

The thesis of Umaru Mustapha Zubairu has been approved by the following:

Suhaiza Ismail
Supervisor

Fatima Abdul Hamid
Co-Supervisor

Noraini Mohd Ariffin
Internal Examiner

Nawal Kassim
External Examiner

Zurina Shafii
External Examiner

Radwan Jamal Yousef Elatrash
Chairman

DECLARATION

I hereby declare that this dissertation is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

Umaru Mustapha Zubairu

SignatureDate

INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA

**DECLARATION OF COPYRIGHT AND AFFIRMATION OF
FAIR USE OF UNPUBLISHED RESEARCH**

**MORAL COMPETENCIES OF FUTURE MUSLIM
ACCOUNTANTS IN MALAYSIA**

I declare that the copyright holders of this dissertation are jointly owned by the student and IIUM.

Copyright © 2017 Umaru Mustapha Zubairu and International Islamic University Malaysia. All rights reserved.

No part of this unpublished research may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise without prior written permission of the copyright holder except as provided below

1. Any material contained in or derived from this unpublished research may be used by others in their writing with due acknowledgement.
2. IIUM or its library will have the right to make and transmit copies (print or electronic) for institutional and academic purposes.
3. The IIUM library will have the right to make, store in a retrieved system and supply copies of this unpublished research if requested by other universities and research libraries.

By signing this form, I acknowledged that I have read and understand the IIUM Intellectual Property Right and Commercialization policy.

Affirmed by Umaru Mustapha Zubairu

.....
Signature

.....
Date

ACKNOWLEDGEMENTS

First and foremost, all praise and thanks belong to Almighty Allah who has made the completion of this PhD journey possible. I pray that He enables me to show sincere gratitude for this great favour by using the knowledge gained to benefit this Ummah to the best of my ability.

Second, I am most grateful to my family whose unflinching support has been absolutely crucial during this long and arduous academic journey. May Allah bless you all and grant you *Janatul Firdaus*.

Third, may Allah reward my two supervisors abundantly for their impeccable direction, support and encouragement throughout my PhD journey. Associate Professor Dr. Suhaiza Ismail and Associate Professor Dr. Fatima Abdul Hamid have been the best lecturers I have ever had the pleasure of working with, and they will always have a special place in my heart.

Fourth, I am indebted to all the accounting lecturers and students of IIUM, USIM, UUM and UiTM that gave up their valuable time to assist me in collecting data for this study. May Allah grant them success in their endeavors. A special mention goes to Dr Abdullah of USIM who went above and beyond in his desire to help me succeed. A special mention also goes to the five Islamic accounting and *Fiqh Muamalat* scholars whose help and advice was integral to the successful completion of this PhD.

Last but not least, I am grateful to the Federal University of Technology Minna, who generously granted me a PhD study fellowship, and provided me with the opportunity to do what I love, which is to mold the minds of my students and help them reach their full potential. I look forward to coming back and contributing my quota to the development of the university and its students.

TABLE OF CONTENTS

Abstract	ii
Abstract in Arabic	iii
Approval Page.....	v
Declaration	vi
Copyright Page.....	vii
Acknowledgements	viii
List of Tables	xiii
List of Figures	xv
CHAPTER ONE: INTRODUCTION.....	1
1.0 Background of the Study	1
1.1 Motivation for the Study.....	5
1.2 Problem Statement.....	8
1.3 Research Objectives and Research Questions	10
1.4 Research Design	11
1.5 Structure of the Thesis	13
CHAPTER TWO: LITERATURE REVIEW.....	15
2.0 Introduction.....	15
2.1 Definition of Moral Competence.....	16
2.2 A Review of Moral Competence Research	18
2.2.1 Education and Moral Competence.....	19
2.2.1.1 The Impact of Education on Moral Competence.....	19
2.2.1.2 The Impact of “Ethics” Education on Moral Competence	23
2.2.1.3 Effective Methods of Teaching Ethics	26
2.2.1.4 Islamic Position on the Relationship between Education and Moral Competence	31
2.2.2 Ethical Climate and Moral Competence	32
2.2.3 Moral Motivation and Moral Competence.....	37
2.2.4 Religiosity and Moral Competence.....	39
2.2.5 Culture and Moral Competence	43
2.2.6 Gender and Moral Competence	44
2.3 A Review of Accounting-Specific Moral Competence Scholarship	46
2.3.1 Accounting Education and Moral Competence	46
2.3.2 Ethical Climate and Moral Competence in the Accounting Discipline.....	48
2.3.3 Accounting Ethics Education and Moral Competence	52
2.3.3.1 Effectiveness of Ethics Education on the Moral Competencies of Accounting Students.....	52
2.3.3.2 Effective Strategies to Teach Accounting Ethics	56
2.3.3.3 Assessing the Perceptions of Key Stakeholders towards Accounting Ethics Education.....	61
2.3.4 Religiosity and Moral Competence in the Accounting Discipline.....	62

2.3.5 Moral Intensity and Moral Competence in the Accounting Discipline.....	63
2.4 Gaps in Accounting-Specific Moral Competence Research	65
2.5 Chapter Summary	68

CHAPTER THREE: THEORETICAL FRAMEWORK AND HYPOTHESES DEVELOPMENT69

3.0 Introduction.....	69
3.1 Kohlberg’s Cognitive Moral Development (CMD) Theory.....	69
3.2 Main Ethical Theories in Moral Competence Literature.....	71
3.2.1 Selecting an Appropriate Theory in Defining a Moral Action.....	73
3.2.2 The Divine Command Theory (DCT)	74
3.3 Conceptualization of Moral Competence based on DCT.....	76
3.4 The Ethical Climate Theory: Linking Ethical Climate and Moral Competence	79
3.5 Hypotheses Development	82
3.6 Chapter Summary	84

CHAPTER FOUR: RESEARCH METHODOLOGY86

4.0 Introduction.....	86
4.1 Phase One – Profile Development (Objective 1).....	86
4.1.1 Finding the “right” job.....	87
4.1.2 Following an Islamic “code of conduct”	88
4.2 Phase Two - Instrument Development (Objective 2)	93
4.2.1 Research Instrument: The Muslim Accountant Moral Competency Test (MAMOC).....	98
4.2.1.1 Scenario 1: Choosing the “right” job.....	103
4.2.1.2 Scenario 2: Professional Conduct.....	104
4.2.1.3 Scenario 3: Integrity	104
4.2.1.4 Scenario 4: Professional Competence and Due care	105
4.2.1.5 Scenario 5: Avoiding Interest.....	105
4.2.1.6 Scenario 6: Avoiding Gambling.....	106
4.2.1.7 Scenario 7: Avoiding Physical Contact with a <i>Non-mahram</i>	106
4.2.1.8 Scenario 8: Objectivity	106
4.2.1.9 Scenario 9: Confidentiality.....	107
4.2.1.10 Scenario 10: Changing Jobs	108
4.2.2 Scoring System.....	108
4.2.3 Model Answers.....	111
4.2.4 Pilot Study	117
4.2.5 Reliability of the Scoring System.....	120
4.3 Phase Three – Measuring Moral Competence (Objectives 3-4).....	121
4.3.1 Sample Selection	121
4.3.1.1 Defining an Islamic University	122
4.3.1.2 Selecting Islamic Universities.....	122
4.3.1.3 Selecting Control Universities	126
4.3.2 Questionnaire Distribution	134
4.3.3 Data Analysis.....	136

4.4 Phase Four – Identification and Assessment of Moral Strengths and Weaknesses(Objective 5)	137
4.5 Answering the Ultimate Research Question.....	139
4.6 Chapter Summary	139
CHAPTER FIVE: FINDINGS AND DISCUSSION: PART ONE.....	141
5.0 Introduction.....	141
5.1 Research Objectives.....	141
5.2 Objective 1: Profile Development	142
5.3 Objective 2: Instrument Development.....	143
5.4 Measuring Moral Competence (Objectives 3 and 4).....	143
5.4.1 Demographic Profile of Respondents.....	144
5.4.2 Respondents’ Moral Competence Scores	146
5.4.3 Respondents’ religiosity scores	147
5.4.4 Objective 3: Comparing Moral Competencies of Islamic universities’ Respondents	150
5.4.4.1 Initial t-test for Hypothesis 1	150
5.4.4.2 T-tests after controlling for the religiosities of respondents from Islamic universities.....	151
5.4.4.3 ANOVA Results	152
5.4.5 Objective 4: Comparing Moral Competencies between fourth-year respondents from Islamic and conventional universities.....	154
5.4.5.1 Initial T-test for Hypothesis 2	155
5.4.5.2 T-tests after controlling for the religiosities of fourth-year respondents from Islamic and conventional universities	155
5.5 Chapter Summary	157
CHAPTER SIX: FINDINGS AND DISCUSSION: PART TWO	159
6.0 Introduction.....	159
6.1 Objective 5: Identifying the Strenghts and Weaknesses in the Moral Competencies of Muslim Accounting Students	159
6.1.1 Scenario by Scenario assessment of Islamic universities’ respondents’ MC scores	160
6.1.2 Justification for Incorrect Resolutions.....	164
6.1.2.1 Job Selection	165
6.1.2.2 Confidentiality.....	167
6.1.2.3 Professional Competence and Due care	170
6.1.2.4 Avoiding Interest(<i>riba</i>)	173
6.2 Answering the Study’s Ultimate Research Question.....	176
6.3 Chapter Summary	179
CHAPTER SEVEN: CONCLUSION	181
7.0 Introduction.....	181
7.1 Summary of the Study and Key Findings.....	181
7.2 Implications of the Study.....	184
7.2.1 Implications for Theory and Knowledge.....	184
7.2.2 Implications for Practice and Policy.....	185
7.3 Limitations and Suggestions for Future Research	190
7.3.1 Cross-sectional Survey	190

7.3.2 Sample Selection	191
7.3.3 Social Desirability Bias	192
7.3.4 Student Focus	193
7.3.5 Respondent Burnout	193
7.4 Chapter Summary	194

REFERENCES..... 196

APPENDIX A: MUSLIM ACCOUNTANT MORAL COMPETENCY TEST (MAMOC)	231
APPENDIX B: MODEL ANSWERS.....	237

LIST OF TABLES

<u>Table No.</u>		<u>Page No.</u>
2.1	An Overview of reviewed moral competence scholarship	18
2.2	Accounting-specific moral competence streams	46
4.1	Summary of model answers to scenarios in MAMOC	119
4.2	List of Islamic Higher Education Institutions in Malaysia	123
4.3	Courses with Islamic ethical content	125
4.4	List of accounting programs in Malaysia accredited by the MIA	130
4.5	Institutional mission statements/philosophies of potential control universities	132
4.6	Student/Faculty Ratio	132
4.7	Number of students surveyed in each university	136
5.1	Respondents' Characteristics	145
5.2	Respondents' Moral Competence Scores	147
5.3	Respondents' Religiosity Scores	148
5.4	T-test results comparing MC scores for second-year and fourth-year respondents from Islamic universities	150
5.5	Independent Samples t-test for groups matched based on religiosity scores	151
5.6	ANOVA results	152
5.7	T-tests comparing MC scores of fourth-year respondents from Islamic and conventional universities	155
5.8	T-tests for fourth-year respondents matched based on religiosity scores	156
6.1	Scenario MC Scores for Islamic universities' respondents	160
6.2	Incorrect resolutions of Job Selection Scenario by Islamic universities' respondents	165

6.3	Incorrect resolutions of Confidentiality Scenario by Islamic universities' respondents	169
6.4	Incorrect resolutions of Professional Competence and Due care Scenario	172
6.5	Incorrect resolutions of Avoiding Interest Scenario	174
7.1	Summary of the Study and Its Findings	183

LIST OF FIGURES

<u>Figure No.</u>		<u>Page No.</u>
3.1	Conceptualization of Moral Competence	78

CHAPTER ONE

INTRODUCTION

1.0 BACKGROUND OF THE STUDY

In the earliest part of the twenty-first century, the world was rocked by several financial scandals: from Enron to WorldCom, Parmalat to Tyco, Arthur Andersen to Shell, and more recently, the 2015 \$1.2 billion Toshiba accounting scandal (Bayou et al., 2011; Fasan, Mio & Ros, 2016; Uemura, 2016). These scandals focused the world's attention on the issue of ethics education, and its role in developing the moral competencies of future accountants. One of the most widely cited definitions of moral competence is that postulated by Lawrence Kohlberg in 1964. He described a morally competent person as "one who has the capacity to make decisions and judgments which are moral (i.e. based on one's internal principles) and to act in accordance with such judgments" (Chaganti 2012: 53). The appropriateness of this definition for this study is discussed in Chapter Two.

The world's focus on ethics education, as a potential solution to the moral decay plaguing the accounting profession, is based on the premise that universities have an obligation to inculcate moral values into accounting students by introducing ethics education in the curriculum. Proponents of ethics education claimed that by doing so, more moral accountants would graduate from universities, thus preventing such large scale occurrences of fraud and mismanagement from occurring in the future (Carrol, 2001; Falkenberg & Woiceshyn, 2008; Dellaportas, 2012; Warnell, de Arruda & Wang, 2016).

The concern about the rampant increase in immoral practices of accountants and businessmen was not restricted to America and Europe, there was also concern in

Malaysia. Abu Bakar, Ismail and Mamat (2010) explained that as early as the 1980s, public confidence in the Malaysian accounting profession took a battering due to the collapse of organizations like Bank *Bumiputra* and Pan-Electric. In the 1990s, there was a very noticeable increase in white-collar crimes involving accounting companies, some of which were sued by their clients such as Johari Abas and Anor, David Low See Keat and Orsants (Abu Bakar et al., 2010). In recent times, concern has grown in the society regarding the alarming increase in the unethical and immoral practices amongst accountants in Malaysia (Abu Bakar et al., 2010; Yunus and Abdul Rashid, 2011; Eid, 2012).

In order to address this worrying increase in unethical and immoral behaviours among the business community, including the accounting profession, in Malaysia, the government embarked upon several initiatives. In 2004, it introduced the National Integrity Plan, which aimed to provide directions and guidance to all citizens as to how to lead a life of integrity and high morals (Malaysian Institute of Integrity, 2012). In 2009, the government strengthened the national anti-corruption agency by establishing the Malaysian Anti-Corruption Commission, which was to operate as an independent, transparent and professional body to effectively and efficiently manage the nation's anti-corruption efforts (Malaysian Anti-Corruption Commission, 2013).

In addition to these two key initiatives, the Malaysian government focused on the educational sector as a viable mechanism for checking the growing menace of unethical practices amongst the country's accountants and businessmen. This is evidenced by Malaysia's National Philosophy of Education (NPE), which emphasizes the development of individuals in a holistic manner. The objective is to produce students that are balanced intellectually, spiritually, emotionally and physically. To achieve this, Islamic Studies and Moral Studies have been made compulsory at all

levels of education in Malaysia (Ali, Salleh & Sabdin, 2010). In relation to accounting, ethics courses have been made compulsory for all undergraduate accounting degree programmes (Ministry of Higher Education, 2006; Gomes, 2013). Additionally, the Ministry of Education also instituted the *Hala Tuju 2* (2007-2013) and *Hala Tuju 3* (2013-present) with the aim of producing “technically competent, ethical and well-rounded graduates, including accountancy graduates” (Gomes, 2013: 11).

To further highlight how seriously the Malaysian government is taking this issue of moral competence amongst students at all levels of education, in 2012, a blueprint to overhaul the Malaysian educational system within thirteen years was produced (Malaysia Education Blueprint 2013-2025, 2012). This blueprint had eleven key objectives, one of which was directly targeted at the issue of moral competence amongst young Malaysians, and was stated as follows:

Every student leaves school as a global citizen imbued with core, universal values and a strong Malaysian identity. The values they have learnt are applied in their day to day lives, leading to more civic behaviour such as an increase in volunteerism; a willingness to embrace peoples of other nationalities, religions and ethnicities; and a reduction in corruption and crime. Every student also leaves school prepared to act as a leader, whether in their own lives and families, or as part of the broader community and nation” (Malaysia Education Blueprint 2013-2025, 2012: 34).

The “universal values” cited in the quote above relates to moral competence as it includes such principles as wisdom, honesty, responsibility and social justice (Azimi & Naim, 2015; Rasouli, Banimahd & Royae, 2015; Noh, 2016). The Malaysian government’s message to all educational institutions in Malaysia regarding moral competence is clear: Produce students who have excellent moral values and ethics (Gomes, 2013).

Malaysia has Islam as its official religion, and has a 61.3% Muslim population (Hassan, 2015; CIA World Fact Book, 2016). This means that the government's mandate that universities should produce morally competent professionals means that for a majority of the population, this means producing Muslim professionals imbued with Islamic values. Interestingly, about three decades before this mandate, a special category of university was established that had already embraced this mission of producing Muslim professionals imbued with Islamic values as part of their institutional ethos. This category of university refers to Islamic universities, with the International Islamic University Malaysia (IIUM) being the first Islamic university established in Malaysia in 1983 (Department of Islamic Development Malaysia, 2016). Since then, there are now over twenty public and private Islamic universities operating in Malaysia (MOHE, 2016).

These Islamic universities possess an "Islamic ethical identity" (Haniffa and Hudaib, 2007) as they are based on religious foundations, i.e. the Islamic law (*Shariah*) which has as its ultimate goal, the betterment of society as evidenced by sincere obedience of Allah's (SWT) laws in all aspects of life (Rahman & Saimi, 2015; Zainuldin, 2016). Additionally, these Islamic universities also possess an Islamic ethical climate, which is an environment where Islamic principles are encouraged and modelled. Three characteristics make up this Islamic ethical climate as identified by the first World Conference on Muslim Education held in Jeddah 1977: First, the emphasis on religious knowledge and Islamic worldview - The University's curriculum must include courses on Qur'an and *Hadith*, and the students must be taught to apply the principles enshrined in the Islamic world view in whatever course they are studying, even if the course seems "conventional" in nature. Second, the emphasis on Islamic morality - The University must have as its major goal the

development of the students' personal morality in line with Islamic morality, and third, emphasis on an "Islamic" educational environment- The educational environment of an Islamic University would make it conducive for students to live in accordance with the Islamic way of life, such as instituting regular observance of prayers, insisting upon an Islamic dress code, and prohibiting un-Islamic conduct such as alcohol consumption and drug use (Fadzly, 2010). These three characteristics were also used in order to define "Islamic universities" for this study.

The ethical identity and ethical climate of Islamic universities leads to an expectation that Muslim accounting students who graduate from these institutions would be imbued with a higher levels of moral competence from an Islamic perspective than when they enrolled. Another expectation is that Muslim accounting graduates from Islamic universities would possess a higher level of moral competence than their Muslim colleagues who graduate from conventional universities. This added expectation is because of the Islamic ethical climate present in Islamic universities, but absent in conventional universities, whose primary focus is on producing technically proficient accountants imbued with general ethical values without any religious emphasis. However these expectations have not been empirically tested, and therefore, this was the ultimate goal of this study.

1.1 MOTIVATION FOR THE STUDY

As mentioned previously, over the last two decades, accounting scandals have become a yearly occurrence globally. This speaks to a degradation of the moral competency of the accounting profession and throws a negative light on the integrity of all accountants and accounting educators around the world. There is thus a crucial need to evaluate the impact of university ethical climate on the moral competencies of the

next generation of accountants. This evaluation would provide a progress report on how well accounting programmes were doing in their mission to imbue their students with moral values, and this served as an important motivation for this study.

Secondly, these scandals include Muslim accountants, and this reality is particularly problematic for Muslim accounting educators like the researcher considering that Islam requires Muslim accountants to uphold an extremely high standard of moral competency. The researcher was thus motivated to conduct this study by focusing exclusively on Muslim accounting students, regardless of their ethnicity. The objective was to assess the moral competencies of the latest group of future Muslim accountants that would graduate from Islamic universities in Malaysia. The results would provide a referendum of how well Muslim accounting educators were discharging their sacred duties to produce technically-proficient Muslim accountants imbued with Islamic values.

Thirdly, from a Malaysian perspective, whilst the researcher is in full support of the education-based initiatives developed by the Malaysian Ministry of Education to enhance students' moral competencies, it is important that the source of ethics of the groups being targeted by these initiatives be taken into consideration. Yunus and Abdul Rashid's (2011) agree with the researcher as evidenced by their recommendation to the Malaysian government as follows:

Malaysia is a multicultural country with diverse ethnic groups with Malay, Chinese and Indian as the three major ethnic groups....Each ethnic group maintains its cultural values due to religious and cultural freedom policies practiced by the country... Any policy regarding ethics needs to take into account the differences in moral reasoning among future Malays, Chinese, and Indian managers [and accountants] in Malaysia (Yunus and Abdul Rashid 2011: 279).

The advice given by Yunus and Abdul Rashid (2011) is a sound one because each of the three major groups in Malaysia has a different *source* of ethics that guides

it as to what is right or wrong. This also affects each group's motivation to perform certain acts. For the Malaysians who are Muslims, their source of ethics is found in the Noble Qur'an and *Sunnah* of the Noble Prophet Muhammad (Peace be upon him [PBUH]). The majority of the Chinese community derives its source of ethics from Confucianism, Buddhism and Taoism, while the majority of the Indian community derives its source of ethics from Hinduism. There is no doubt that these three groups share some common ethical principles such as trustworthiness, honesty, responsibility and accountability. However, there are certain ethical principles that are unique to each group. For example, for a Hindu who believes that the cow is a sacred animal, it would be considered immoral to work as an accountant in a butchery. For the Muslim, this has no moral overtone. On the other hand, for the Muslim, working as an accountant for a casino is considered immoral due to Islam's prohibition of gambling, but has no moral overtones for the Hindu or the Buddhist.

This important difference in source of ethics amongst these three groups also leads to another important distinction, the *motivation* to act ethically. For Muslims, all actions are done solely to please Allah (SWT). In fact, any action that is done for any other reason besides seeking the pleasure of Allah is considered *unethical* from an Islamic point of view, even if society views that action as a good action. For example, a person who is motivated to be honest so that people in society will sing his praises for that virtue would be considered a wrong doer from an Islamic perspective as his motivation is not for Allah's pleasure. As for the Chinese and Indians who do not believe in the same deity as Muslims, their motivation to act ethically is thus different from that of Muslims.

Fourthly, another motivation for conducting this study is the researcher's personal philosophy that as accounting educators, we have a sacred duty not only to

imbue our students with technical proficiency in accounting, but to make them better human beings by inspiring them to always act in a righteous manner in whatever situation they find themselves. This study allowed the researcher to further this mission by identifying the weaknesses in the moral competencies of Malaysia's future Muslim accountants, thus enabling accounting educators to address these weaknesses.

1.2 PROBLEM STATEMENT

Accounting programmes situated in Malaysian Islamic universities proclaim as their mission statement the development of technically-proficient accountants imbued with Islamic values. This mission statement places a great weight of accountability on the accounting educators of these programmes, which they have to diligently discharge towards their students, and most importantly towards their Creator, Allah (SWT). Additionally, the Malaysian government has invested a lot of time and resources to develop comprehensive educational policies based on the assumption that these universities can actually fulfil their mission statements. The crucial problem is that, at the moment, there is no way of knowing whether or not these accounting programmes are actually fulfilling their critical mission statements.

Currently, the only measure of a students' academic progress is the Cumulative Grade Point Average which only reflects a student's proficiency in passing his courses. This does not reflect his or her moral competency. It is thus critically important that Accounting programmes in Islamic universities develop an objective measure of students' moral competencies for three reasons: Firstly, so that a clear determination can be made as to whether or not they are fulfilling their mission statement, and secondly, so that they can ensure that they are fulfilling their duties of accountabilities to their stakeholders, and more importantly to their Lord, Allah

(SWT) as emphasized by the following translated verse of the Noble Qur'an: "Great is the hatred in the sight of Allah that you say what you do not do" (*as-Saff*: 3). Thirdly, it will enable the Malaysian government to determine how well these universities are doing in meeting the mandate of producing morally competent Muslim accountants.

However, credit must be given to the Ministry of Higher Educator for the development of the Integrated Cumulative Grade Point Average (iCGPA) which will provide a more holistic assessment of student performance, and includes measuring moral competency (Ann, 2015). The iCGPA was introduced in 2015 and is currently being pilot-tested in selected faculties in five public universities (Ann, 2015). Once it is mandated for all public universities, it will bring the issue of moral competency on an equal standing with technical competency. This will hopefully lead to the development of more morally competent accountants over time.

Through the development of an instrument specifically tailored to measuring the moral competencies of Muslim accounting students, this study provides a viable prototype instrument which Islamic universities in Malaysia can adopt to measure the moral competencies of their accounting students, in line with the requirements of the iCGPA. Additionally, it also reveals the moral competence levels of Muslim accounting students at the selected Islamic universities and highlights areas where these students' moral competencies can be significantly improved upon. Thirdly, it compares the moral competencies of Muslim accounting students in Islamic and conventional universities to determine whether the Islamic universities are more capable in developing the moral competencies of these students as compared to their conventional counterparts. Finally, the instrument developed in this study will enable Muslim accounting educators to gain an insight into reasons that motivate these students to make certain moral decisions. This is because the instrument requires the