



HOLISTIC ACCOUNTABILITY OF MALAY/MUSLIM  
NON-PROFIT ORGANISATIONS IN SINGAPORE

BY

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## ABSTRACT

Religious Non-Profit Organisations (NPOs) operating under a sanctified sector will no longer suffice as the public and government call for greater accountability. The most common form of accountability mechanism for both profit and non-profit organisations is by means of disclosure of information. Registered NPOs in Singapore are required to submit a mandatory annual financial report in accordance to accounting requirements to regulators. However, just like a profit making organisation, accountability becomes ‘upwardly-inclined’ and overemphasis on upward accountability to donors and regulators can prove counterproductive of services delivered to the NPOs’ beneficiaries. This study aims to examine the extent of holistic accountability present in Malay/Muslim Organisations’ (MMOs) reporting through inputs from upward, downward and lateral accountability. Holistic accountability framework based on Ebrahim's (2003) five accountability mechanisms serve as a guide for NPOs in a multi-stakeholder environment. Using samples of MMOs, a mixed-method approach (QUAN-qual) was adopted. Results from the checklist show that five out of 18 MMOs with score of 60% and above display an upwardly-inclined accountability in reporting to stakeholders. Two out of 18 MMOs have scores of 60% and above, inclining towards lateral accountability. In addition, the use of self-regulation accountability mechanism is consistent across the three levels of accountability. After interviewing seven officers from four MMOs however, results reveal that upward accountability did not overshadow downward and lateral accountability. In fact, downward accountability was given importance with all five mechanisms of Ebrahim (2003) being practised however unreported.

## خلاصة البحث

إن المنظمات الدينية غير الهادفة للربح (غير الربحية) التي تعمل تحت قطاع ديني، سوف لن يكون كافياً لها- كما يسميه العامة والحكومة - قدر أكبر من المساءلة. إن الشكل الأكثر شيوعاً لآلية المساءلة عن المنظمات على حد سواء الربحية أم غير الربحية، هو عن طريق الكشف عن المعلومات المطلوبة. إن على المنظمات غير الربحية المسجلة في سنغافورة أن تقدم تقريراً مالياً وسنوياً وإلزامياً وفقاً لمتطلبات المحاسبة للمنظمين. وبجانب ذلك تماماً مثل المؤسسة الربحية، تصبح المساءلة "تميل إلى الزيادة"، والمبالغة في التركيز على المساءلة التصاعديّة للجهات المانحة والجهات التنظيمية؛ حيث يمكن أن يؤدي ذلك إلى نتائج عكسية في الخدمات المقدمة للمستفيدين والمنظمات غير الربحية. وتهدف هذه الدراسة إلى دراسة مدى شمولية المساءلة والتقارير الموجودة لدى منظمات الملايو أو المسلمين (MMOs) من خلال المدخلات من الأعلى، والمساءلة السفلى والجانبية. يعد إطار المساءلة شاملاً لخمس آليات عند الباحث إبراهيم (٢٠٠٣م) وتعد بمثابة دليل للمنظمات غير الربحية في بيئة متعددة لأصحاب المصلحة. وعبر استخدام عينات من منظمات الملايو أو المسلمين، وأتباع النهج المختلط بطريقة اعتمدت على (كوان-التأهيلية). تشير نتائج قائمة المراجعة وتبين أن خمساً من أصل ثمانية عشر من منظمات الملايو أو المسلمين بدرجة ٦٠٪ كانت فوق المساءلة، بزيادة لذوي الميول في تقديم التقارير إلى الجهات المعنية. وهناك اثنان من أصل ثمانية عشر من هذه المنظمات الملايوية بنسبة ٦٠٪ وما فوق، تتجه نحو المساءلة الجانبية. وفضلاً عن ذلك، فإن استخدام آلية التنظيم الذاتي للمساءلة كانت متناسقة عبر ثلاثة مستويات من المساءلة. وبعد إجراء المقابلات مع سبعة ضباط من أربع منظمات، ومع ذلك، تكشف النتائج أن المساءلة التصاعديّة لا تطغى على المساءلة التنازلية والجانبية، وفي حقيقة الأمر فقد أعطيت المساءلة التنازلية أهمية مع جميع الآليات الخمس المقترحة في دراسة إبراهيم (٢٠٠٣) كي تمارس؛ وهي مع ذلك لم تقدم تقارير المساءلة.

## APPROVAL PAGE

I certify that I have supervised and read this study and that in my opinion, it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Master of Science in Accounting.

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## 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.

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## LIST OF ABBREVIATIONS

AGM	Annual General Meeting
AMP	Association of Muslim Professionals
BBI	Basic Background Information,
CAS	Charities Accounting Standard
ChoRI	Charitable Organizations Reporting Index
CIR	Community in Review
CLF	Community Leaders Forum
CLG	Company Limited by Guarantee
COC	Commissioner of Charities
CPF	Central Provident Fund
CSR	Corporate Social Responsibility
DAC	Debt Advisory Centre
FBCOs	Faith-Based Charity Organisations
FI	Financial Information
FRS	Financial Reporting Standards
FTI	Future Information
GEC	Governance Evaluation Checklist
GI	Governance Information
IGOs	Inter-Governmental Organisations
INPOs	International Non-Profit Organisations
IPC	Institutions of a Public Character
KPI	Key Performance Indicator
LBKM	<i>Lembaga Basiswa Kenangan Maulud</i>
MBF	Mosque Building Fund
MCCY	Ministry of Culture, Community and Youth
MMB	Mosque Management Board
MMO	Malay/Muslim Organisation
MSF	Ministry of Social and Family Development
MUIS	<i>Majlis Ugama Islam Singapura</i>
NFI	Non-Financial Performance Information
NGOs	Non-Government Organisations
NHB	National Heritage Board
NLB	National Library Board
NPOs	Non-Profit Organisations
PERGAS	<i>Persatuan Ulama dan Guru-Guru Agama Islam (Singapura)</i>
PVOs	Private Voluntary Organisations
QUAN-qual	Quantitative–qualitative
RDI	Religious Diversity Index
RIMA	Research on Islamic and Malay Affairs
ROS	Registrar of Societies
SASRL	Syed Ahmad Semait Reference Library
SB-FRS	Singapore Statutory Board Financial Reporting Standards
SFRS	Singapore Financial Reporting Standards
TAA	<i>Tabung Amal Aidilfitri Trust</i> Fund
VFG	Volunteers' Focus Groups
VWOs	Voluntary Welfare Organisations

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.0 INTRODUCTION**

This chapter introduces the master dissertation study in five sub-sections. The first section elaborates the general overview of Islamic organisations in Singapore and how they are governed, followed by the problem statement, objective, research methodology and significance of the study. Section six concludes the chapter with the organisation of the study.

### **1.1 BACKGROUND OF THE STUDY**

This study focuses on the developed country Singapore which has a Muslim population of 14.9%. The Pew Research Center found that out of 232 countries, Singapore was the world's most religiously diverse nation scoring 9.0 on the Religious Diversity Index (RDI) as reported in April 2014<sup>1</sup>. The index is on a scale from 0-10, with 10 being the maximum possible diversity where each of the eight major world religious groups has a close to equal share of the population.

Additionally, Singapore is considered an authoritarian state where the education system and religious institutions are under the purview of the State and are tightly centralised (Rahim, 2012). Faith communities have been pragmatically encouraged to work in close collaboration with the State. Each minister in charge of religious affairs

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<sup>1</sup>Retrieved from <http://www.pewforum.org/files/2014/04/Religious-Diversity-appendix-1.pdf> on 30<sup>th</sup> June 2015. RDI calculates scores for countries, regions and the world based on the shares of eight major world religions (Buddhists, Christians, folk religions, Hindus, Jews, Muslims, other religions considered as a group and the religiously unaffiliated).

conducts careful consultations with major religious organisations when implementing policies that directly impact religious morality.

Islamic organisations in Singapore can be classified into two broad categories; places of worship (Mosques) and religious mission organisations. There is a total of 70 mosques<sup>2</sup> in Singapore and over 20 registered religious mission organisations. The religious mission organisations in Singapore do not classify themselves as Islamic organisations but widely recognise themselves as Malay/Muslim Organisations (MMO). The MMOs in Singapore are in the areas of education, orphanage, welfare home, youths, health care, women association and Muslim converts. They serve the interests of the Malay/Muslim community and the greater Singaporean community. The MMOs are non-profit and self-governed (i.e. governed by their respective constitutions).

Early in 2016, the book *Hand To Heart* was published chronicling the contributions of Malay/Muslim organisations in Singapore<sup>3</sup>. It includes a directory of close to 200 local Malay/Muslim organisations in Singapore both past and the present.

The MMO stakeholders, i.e. the Malay/Muslim community, conduct periodic dialogues with the government and the Minister for Information, Communications and the Arts and the Minister-in-charge of Muslim Affairs of Singapore who oversees the well-being of the community and the organisations. In 2012, there was a parliamentary dialogue on sources of funds and funds allocation concerning MMOs between the

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<sup>2</sup> Retrieved from <http://www.mosque.sg/mosque-directory.html> on 15<sup>th</sup> December 2015

<sup>3</sup> Vinod, V (2016, Apr 28). Book featuring stories about Malay-Muslim organisations and pioneers launched. Retrieved from <http://www.straitstimes.com/singapore/nhb-launches-book-featuring-stories-about-malay-muslim-pioneers> on 30th May 2016

Malay/Muslim ministers and Minister-in-charge of Muslim Affairs<sup>4</sup>. Since then, the MMOs in Singapore have received a boost in funding to advance their capabilities and improve their organisational development. The Malay/Muslim Community Development Fund received additional funding from \$1m to \$2.6m annually, starting from 2014.

## **1.2 PROBLEM STATEMENT**

Historically, religious organisations operated in a sacred or sanctified sector that was often unchallenged. However, times are changing with greater accountability being expected in religious organisations. Presently in Singapore, a high-profile case involving financial scandals exceeding S\$40 million by the management of City Harvest Church<sup>5</sup> reiterated the importance of accountability and its impact on stakeholders and financial sustainability. Having a strong mission, vision and non-profit status may no longer be adequate.

Additionally, religious organisations not only serve the religious needs of the community, but they also alleviate the lives of the community through various social services. In Singapore, religious institutions can be classified into places of worship and religious mission-oriented organisations. The survival of Islamic organisations in Singapore depends highly on state government allocations and public donations through charity (*zakat, infaq, sadaqah* and *Waqf*). Funds raised are in a form of trust and not for profit.

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<sup>4</sup> Retrieved from <https://app.msf.gov.sg/Press-Room-Archives/Sources-of-funding-available-to-Malay-Muslim-org> on 12<sup>th</sup> October 2016

<sup>5</sup> Retrieved from <https://sg.news.yahoo.com/scandal-puts-spotlight-rich-singapore-churches-071254546.html> on 31<sup>st</sup> October 2014



Religious organisations serve the religious needs of the community. Nevertheless, they are also subjected to the age-old agency problem and information asymmetry. Nonetheless, this information asymmetry can be mitigated by means of proper information disclosure (Parsons, 2007; Ruhaya Atan, Zainon, & Yap, 2012; Zainon, Atan, & Yap, 2012).

Studies provide evidence that disclosures made to the public is an important component of non-profit governance. Ruhaya Atan et al. (2012) suggested that there is a significant association between the amount of donations and the extent of disclosure of information. Disclosure and dissemination of information to donors and potential donors allow for more informed donation decisions.

A study by Yasmin, Haniffa, & Hudaib (2013) on non-profits Faith-Based Charity Organisations (FBCOs) found that issues of disclosure and reporting practices, i.e. its communicated accountability, do exist and is particularly important as donated funds and use of those funds are often meant to fulfil religious obligations for the well-being of the society. Findings showed that FBCOs report mandatory disclosures as rituals without paying much attention to the details they contain.

Disclosures and financial reports are widely pursued by the private profit making sector where the basic notion of accountability emphasises on ensuring that the company operates within the law and that profit is gained. This illustrates an executive hierarchical nature of business organisations i.e. one-way flow of information to shareholders (Williams & Taylor, 2012). As such, it inevitably narrates to an upward accountability. Lawry (1995) argues from an ethical perspective that “accountability encompasses a full report of activities, as well as justification for the way resources, are managed, and a public disclosure and justification constitute the way in which non-profits can be accountable”.

On the contrary, Non-Profit Organisations (NPOs) face a unique and complex relationship in a ‘multiple-stakeholders’ environment. The concept of ‘multiple-stakeholders’ helps to further understand NPO accountability (Tandon, 1995). At present, many of the non-profit making organisations operate in the same manner as the profit making organisations where upward accountability to shareholders and regulators is emphasised. Peruzzotti (2006) metaphorically quoted that accountability is always ‘upwardly-inclined’ or ‘external’ which entails the rights of a superior authority by someone not part of the body being held accountable.

However, overemphasis on upward accountability to donors and regulators can prove counterproductive by damaging the effectiveness of service delivery to the NPOs’ beneficiaries (Dixon, Ritchie, & Siwale, 2006; Goddard & Assad, 2006). Hence, the notion of holistic accountability is employed with expanded categories of stakeholders and broadened dimensions of accountability i.e. to downward – as being responsible to the needs of clients that also include public trust and lateral – as taking responsibility for staff and volunteers (Christensen & Ebrahim, 2006; Najam, 1996a).

### **1.3 OBJECTIVES OF THE STUDY**

The study aims to examine the extent of holistic accountability present in MMOs reporting through inputs from upward, downward and lateral accountability (Christensen & Ebrahim, 2006; Najam, 1996a). As prior literature focuses on upward accountability to donors or regulators via financial disclosure and reporting, this study explores the mechanisms presently practised among MMOs that influenced the three levels of holistic accountability; upward, downward and lateral. The objectives of this study are divided into two broad objectives:

RO1: To examine the current practices of holistic accountability present in MMOs.

RO2: To explore the mechanisms influencing holistic accountability of MMOs.

The above research objectives bring about four research questions that guide this study. In achieving research objective 1, this study employs a descriptive analysis through two research questions.

RQ1a: Are practices of holistic accountability present in MMOs' multi-stakeholder environment?

RQ1b: What are the current practices of holistic accountability present in MMOs?

As accountability relationships in NPOs are complicated by the fact that the organisations are inevitably placed in a multi-stakeholder environment, RO1 examines whether NPOs are aware of its accountability relationship among its stakeholders and the current practices of holistic accountability present in NPOs' reporting. Research objective 2 employs a more interpretive approach.

RQ2a: How is holistic accountability discharged to the different groups of MMOs' stakeholders?

RQ2b: Is any level of accountability given less attention, and if so, why?

RQ2a explores how holistic accountability is discharged to the different groups of stakeholders through the adoption of accountability mechanisms classified by Ebrahim (2003) – reports and disclosure statements, evaluations and performance assessments, self-regulation, participation, and social auditing. In RQ2b, the study examines whether downward and lateral accountability customarily is given less attention by NPOs, and if so, why.

#### **1.4 RESEARCH DESIGN AND METHODOLOGY**

Presently, there are 23 registered mission organisations identified to serve the interests of the Malay/Muslim community in Singapore in the Registrar of Societies (ROS) and charities portal. The mission organisations in Singapore are in the areas of education, orphanage, welfare home, youths, health care, women association and Muslim converts. There are 23 'identified' MMOs because organisations registered may not necessarily categorise themselves as 'religious' in the ROS or charities portal but also through their nature of services such as education and welfare.

MMOs are studied in this research because accounting and accountability in religious and faith-based organisations are much more complex. Booth (1993) and Laughlin (1990) argued that accounting is seen as a support activity and is thus secular. However, the worldview of Islam encompasses both sacred and secular aspects (Abdul Rahman & Goddard, 1998). Consequently, there is no dichotomy between sacred and secular activities. Hence, MMOs in Singapore are used to study the current practices of holistic accountability

This study employs a mixed-method research through sequential explanatory strategy. It is a 'Quantitative–qualitative (QUAN-qual)' approach where collection and analysis of quantitative data are conducted followed by the collection and analysis of qualitative data.

Out of the population of 23, a sample of 18 MMOs in Singapore with some form of information reporting accessible to the public is selected in the quantitative descriptive study.

The data were then classified based on Ebrahim's (2003) accountability mechanisms – reports and disclosure statements, evaluations and performance assessments, self-regulation, participation, and social auditing.

The qualitative method was then employed by interviewing four organisations with seven interviewees to gain a deeper insight into the holistic accountability of NPOs. A semi-structured interview with the accountants, corporate communications managers and public relations officers of the respective organisations was conducted to explore the mechanisms influencing upward, downward and lateral accountability.

### **1.5 SIGNIFICANCE OF THE STUDY**

It is anticipated that the findings of this study will contribute towards several significant implications. Firstly, this study hopes to enrich the non-profit sector literature especially in the area of the accountability. It is hoped that the holistic accountability framework is able to reflect the current practices, mechanisms and challenges in the non-profit sector. Additionally, the inclusion of lateral accountability in the holistic accountability framework theoretically may provide depth and value with the role of accountability NPO has upon the various stakeholders upwardly, downwardly and laterally – and not one in the expense of another.

Secondly, the findings of the study hope to improve the quality of NPOs' reporting and practices to enhance accountability, especially in a multi-stakeholder environment. NPOs can be made aware of the various mechanisms of accountability that are available to them.

Thirdly, this study hopes to add to the literature concerning accounting in FBCOs, especially for the MMOs in Singapore. Moreover, Abdul Rahman & Goddard (1998) link accounting to management issues that are involved with the survival of the religious organisation.

## **1.6 ORGANISATION OF THE STUDY**

This dissertation is organised into six chapters.

Chapter One: Introduction. The introductory chapter provides an explanation of the background of the study, problem statement, research objectives, research design and methodology, the significance of the study and the structure of dissertation.

Chapter Two: NPO in Singapore. This chapter outlines the definition of NPO and accountability, characteristics of NPO and overview of NPOs in Singapore together with its legal structures, statutes that protect NPOs and its legal obligations.

Chapter Three: NPO and its Accountability. It continues by examining holistic accountability to whom NPOs are accountable to; upward, downward and lateral. Subsequently, the reporting and accountability mechanism as proposed by Ebrahim (2003).

Chapter Four: Research Methodology. Chapter four explains the research methodology adopted for this research with a brief discussion on the mixed-method for data collection and analyses. Chapter four develops the proposed holistic conceptual framework for NPOs with the incorporation of accountability mechanism as proposed by Ebrahim (2003) that may influence the achievement of holistic accountability of NPOs. Also, the development of instruments is presented.

Chapter Five: MMOs Accountability Practices in Singapore. This chapter provides the findings and discussion of the results for both the QUAN-qual approach of this study and illustration through the use of radar charts to explain the findings.

Chapter Six: Conclusion. This last chapter concludes the study.

## **CHAPTER TWO**

### **NPO IN SINGAPORE**

#### **2.0 INTRODUCTION**

This chapter provides an overview of the NPOs operating in Singapore. The section provides the definitions of NPOs, its characteristics and legal obligations registered NPOs have to comply.

#### **2.1 DEFINING NPOS**

Defining non-profit organisations is often contested. Najam (1996b) referred to the sector as “civil society or the non-profit (NPO), the non-government (NGO), the private voluntary (PVO), the independent, the charitable, the philanthropic, the associational, and the third sector”.

Hardy & Ballis (2013) in their study on a Sanitarium, a hybrid organisation, operating both as church department of the Seventh-day Adventist Church and a multi-million-dollar health company, cited that “religion and faith-based organisations typify the challenges that third sector organisations present researchers seeking to understand accountability”.

Uphoff (1996) is of the view that a non-government organisation is not a ‘third sector’ but a ‘middle sector’ that “operates best between the public and private sectors”. Nonetheless, each term may in fact highlight one aspect of the sector while overlooking another, and with a common understanding the organisations in this sector “serve underserved or neglected populations, to expand the freedom of or to empower people, to engage in advocacy for social change, and to provide services” (Hodgkinson & McCarthy, 1992).

Gray, Bebbington & Collison (2005) quoted United Nations (2003) in describing an NGO as:

“Any non-profit, voluntary citizens' group which is organized on a local, national or international level. Task-orientated and driven by people with a common interest, NGOs perform a variety of services and humanitarian functions, bring citizens' concerns to Governments, monitor policies and encourage political participation at the community level. They provide analysis and expertise, serve as early warning mechanisms and help monitor and implement international agreements. Some are organized around specific issues, such as human rights, the environment or health.”

As a social service sector, NPOs look into the well-being of people, including families in social, religious and financial need, children with special needs, lonely elderly, people with disabilities and youths-at-risk, among others. They fill services that the governments are either unable or unwilling to provide. They are traditionally defined as ethics or ‘values-based’ organisations (Kilby, 2006).

In defining NPOs, Salamon & Anheier (1992) identified five distinguishing features of NPOs: i) formally constituted; ii) non-governmental in basic structure; iii) self-governing; iv) non-profit distributing; v) voluntary to some meaningful extent.

A formally established NPO usually takes the form of a registered corporation with no owners but with a board of trustees and administrative structure. However, Vakil (1997) does not include “formality” as part of a feature of NPOs as it excludes the informal and community-based organisations in the third world. She defined NPOs as “Self-governing, private, not-for-profit organisations that are geared to improving the quality of life of disadvantaged people” (Vakil, 1997).

Predominantly, NPOs are self-governing or self-regulating as it they are not affiliated to any government body and have their own set of values, goals, mission statement and a means of funding. Four major terms are sometimes used