

Search



<u>Home</u> > <u>Journal of Management and Governance</u> > Article

Financial Contracting, Governance Structures and the Accounting Regulation of Islamic Banks: An Analysis in Terms of Agency Theory and Transaction Cost Economics

Published: June 1998

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 92 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

- > Store and/or access information on a device
- Personalised advertising and content, advertising and content measurement, audience research and services development

Accept all cookies

Reject optional cookies

This type of investment account raises a set of issues concerning the contractual relations between the bank and the holders of such investment accounts. These issues may be addressed from the perspectives of both Agency Theory (principal-agent and principal-principal relations) and Transaction Cost Economics (contractual forms and governance structures), and it is the purpose of this paper to do so. In particular, we focus on governance issues such as the monitoring possibilities which may or may not be contractually available to investment account holders. We conclude that, under present contractual arrangements, investment account holders depend unduly upon 'vicarious' monitoring by or on behalf of shareholders, a situation aggravated by current shortcomings in financial reporting and limitations of the scope of external auditing. The latter have implications for accounting regulation as applied to Islamic banks. The paper concludes with some suggestions as to how this situation could be ameliorated.

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 92 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

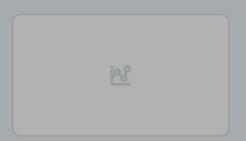
Accept all cookies

Reject optional cookies

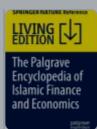
Instant access to the full article PDF.

Institutional subscriptions →

Similar content being viewed by others



Corporate governance and financial performance of Islamic banks: new international evidence



Equity



Managing the Risks of Investment Deposit Account in Islamic Banks: An Examination of Mudharaba...

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 92 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

Accept all cookies

Reject optional cookies

AAOIFI: 1996b, Financial Accounting Standard No. 2: Murabaha and Murabaha to the Purchase Orderer (Bahrain: AAOIFI), May.

Google Scholar

AAOIFI: 1997a, Auditing Standard for Islamic Financial Institutions No. 4: Shari'a Supervisory Board: Appointment, Composition and Report (Bahrain: AAOIFI), June.

Google Scholar

AAOIFI: 1997b, Financial Accounting Standard No. 6: Investment Accounts and

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 92 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

Accept all cookies

Reject optional cookies

Bryer, R.: 1993, "Double-Entry Bookkeeping and the Birth of Capitalism: Accounting Further Commercial Revolution in Northern Italy", *Critical Perspectives on Accounting* 4(2): 113–140.

Google Scholar

Capital Intelligence: 1996, Rating Report BH1095RR/12-96: Faysal Islamic Bank Bahrain. December.

Carlson, P.: 1997, "Advancing The Harmonisation of International Accounting Standards: Exploring an Alternative Path", *The International Journal of Accounting* 32(3): 357–378.

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 92 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

Accept all cookies

Reject optional cookies

and R.E. Freeman (eds.), op. cit., pp. 59-72.

Duska, R.F.: 1992, "Why Be a Loyal Agent? A Systemic Ethical Analysis", in N.E. Bowie and R.E. Freeman (eds.), op. cit., pp. 143–168

Hart, O.: 1995, Firms, Contracts, and Financial Structure (Oxford: Clarendon Press).

Google Scholar

Islamic Banking, Middle East Economic Digest (12 July, 1996), pp. 7-12.

Jensen, J. and W. Meckling: 1976, "Theory of the Firm: Managerial Behavior,

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 92 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

Accept all cookies

Reject optional cookies

Karim, R.A.A.: 1996b, "The Impact of the Basle Capital Adequacy Ratio Regulation on the Financial and Marketing Strategies of Islamic Banks", *International Journal of Bank Marketing* 14(7): 32–44.

Google Scholar

Karim, R.A.A. and A. E. Ali: 1989, "Determinants of the Financial Strategy of Islamic Banks", *Journal of Business Finance and Accounting, UK* (Spring) 16(2): 193–212

Google Scholar

Kreps, D.M.: 1990, "Corporate Culture and Economic Theory", in J. Alt and K.

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 92 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

Accept all cookies

Reject optional cookies

Theory", Accounting, Organizations and Society 13(4): 359-369.

Google Scholar

de Roover, R.: 1963, *The Rise and Decline of the Medici Bank* (Cambridge, MA: Harvard University Press).

Google Scholar

Saleh, N.A.: 1992, *Unlawful Gain and Legitimate Profit in Islamic Law* (London: Graham and Trotman Ltd.).

Google Scholar

Taylor, T.W. and I.W. Evans: 1987. "Islamic Banking and the Prohibition of Usury

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 92 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

Accept all cookies

Reject optional cookies

Authors and Affiliations

University of Surrey, England

Simon Archer

Accounting and Auditing Organization for Islamic Financial Institutions,

Kuwait

Rifaat Ahmed Abdel Karim

Kuwait

Talla Al-Deehani

Rights and permissions

Reprints and permissions

Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 92 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

Store and/or access information on a device

Personalised advertising and content, advertising and content measurement, audience research and services development

Accept all cookies

Reject optional cookies

Search Search by keyword or author **Navigation** Find a journal Publish with us Track your research Your privacy, your choice We use essential cookies to make sure the site can function. We, and our 92 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media. By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains. You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page. We use cookies and similar technologies for the following purposes: Store and/or access information on a device Personalised advertising and content, advertising and content measurement, audience research and services development

Manage preferences

Accept all cookies

Reject optional cookies