

# The development of accounting education and practice in an environment of socio-economic transformation in the Middle East

## The case of Jordan

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### Abstract

**Purpose** – The purpose of this paper is to explore the development of accounting education and practice as influenced by the socio-economic transformation in Jordan.

**Design/methodology/approach** – The paper presents an explanatory study of how accounting education and practice has developed in relation to socio-economic change in Jordan, using the institutional economic theory-based constructivist approach, in which knowledge is constructed by compiling data from different sources, including historical and statistical analyses, documents, and archival records.

**Findings** – The study finds that accounting education in Jordan cannot be effectively studied without reference to how accounting practice affects, and is affected by the social, economic, political and cultural dimensions of its operating environment. The study finds that accounting change has been driven by the Jordanian Government's response to the macroeconomic challenges that had historically restricted economic growth, including the scarcity of natural resources, budget deficits, soaring debt, and structural unemployment. The ongoing program of privatization has been a significant contributor to economic, accounting, and legal change. Since accountancy is accepted as a social practice, culture plays a significant role in accounting research, and cultural factors bearing on accounting education and practice in Jordan include the historical imposition of western accounting paradigms in developing countries, Jordan's cultural values, the quality of its education system, and the disparity between the private sector's and public management's embrace of technology and applications for management accounting. The study finds that accounting education in Jordan cannot be effectively studied without reference to how accounting affects, and is affected by the social, economic, political and cultural dimensions of its operating environment.

**Research limitations/implications** – This paper describes the development of accounting education in an environment of socio-economic change, which has potential implications for accounting practitioners, academics, and policy makers in developing countries. The study's constructivist approach selected with the aim of constructing a picture of the change environment, and thus, present new knowledge in a compilation of data limits, however, the generalizability of the findings.

**Originality/value** – The paper is a one of very few research studies in the accounting literature to present evidence from the Middle East of how accounting education and practice has developed in response to socio-economic transformation, and has itself contributed to socio-economic growth in Jordan. The significance of cultural factors in these developments provides further understanding of the dynamics of developing accounting education and practice in the era of globalization.

**Keywords** Middle East, Jordan, University, Accounting education, Change, Social accounting, Socio-economic transformations

**Paper type** Research paper

### 1. Introduction

This study concurs with Hopwood and Miller's observation that accounting practices both influence, and are influenced by, the surrounding social and political environment. Therefore, accounting is recognized as a social, rather than a merely technical practice, a view that is recommended for adoption in future studies on accounting education and development in Jordan. In Jordan, economic liberalization and privatization of state agencies,



as well as globalization, have had a huge impact on accounting development over three decades. Advances in information technology, more competitive markets, changing organizational structures, and new management practices have significantly altered the dimensions of accounting practice, and therefore, education across the Middle East, including in Jordan (Hutaibat, 2005; Alsharari, 2013; Alsharari and Abougamos, 2017).

Accordingly, Jordan's transformation from a planned to a free economy, beginning in the early 2000s, has resulted in essential developments in the most important sectors under the auspices of Jordan's 2006-2015 National Agenda (NA), which sought to improve income-generating opportunities. These developments included restructuring and privatizing of government organizations, an emerging private sector, apparent growth in direct foreign investment, and reformed education management and accounting education (National-Agenda, 2015). Prior to this transition period, most organizations were mostly government controlled, and therefore, these changes created immediate pressure on accounting practices to reform in order to meet the requirements of the new business environment (Alsharari, 2013; Alsharari and Abougamos, 2017).

Jordan, like many other Middle Eastern countries, has adopted accounting education practices from developed countries. Notwithstanding considerably different environmental factors, the Jordanian accounting education system and accounting profession have been developed toward the accounting environments and the private sector practices of the USA and the UK. Additionally, factors which have influenced the adoption of accounting education as it occurs in Jordan include the presence of multinational corporations, international accounting firms, the reliance of the accounting education system on British and American textbooks, international political and economic relations, and overseas-educated Jordanian accountants and scholars (Solas, 1994; Hutaibat, 2005; Al Soboa, 2010). The role and importance of any branch of the accounting discipline derives not only from academics and curricula, but also from accounting industry bodies and regulations (Alsharari, 2013; Alsharari and Abougamos, 2017).

The relevance of western-influenced education programmers and accounting practices in developing countries has been debated over many years. It is thought that these accounting educators and practices are unable to contribute to the development of effective accounting systems, which are necessary for economic development. This is because education programs were not designed for the environment of developing countries and, as such, did not relate in any meaningful way to the industries of those countries. It is, therefore, of interest and importance to study accounting education and practice in a particular cultural context. In the case of Jordan, the influence of socio-economic transformation on accounting highlights the deficiencies in the education system that have needed to be overcome to keep pace with change, and assist economic development. These deficiencies include, on the broader scale, poor university infrastructure and inadequate teaching of computer skills for accounting applications. Understanding how socio-economic change and accounting education practice are mutually influential may assist other developing countries, like Jordan, to devise priorities and strategies in an environment of modernization and economic growth (Hutaibat, 2005; Alsharari, 2013; Alsharari and Abougamos, 2017).

The purpose of this paper is to describe accounting education and practice in Jordan in an environment of socio-economic transformation by presenting the current situation and recent historical background, with the aim of better understanding change in accounting education and practice occurs. Following the introduction, the paper is structured as follows: Section 2 presents an overview of key literature of the role of socio-economic change in accounting education in relation to Jordan; Section 3 presents the methodological underpinnings of the study; Section 4 describes Jordan's socio-economic environment from a range of perspectives; and Section 5 analyzes and discusses change in Jordanian accounting education and practice in relation to that environment, and finishes with the conclusions drawn.

## 2. Literature review

### 2.1 Accounting education in Jordan

The accounting education system in Jordan is heavily based on accounting theories and practices originating in the USA and the UK, where most Jordanian academics and researchers have completed their graduate studies (Al-Akra *et al.*, 2009; Hutaibat, 2005). Thus, most Jordanian accountancy programs, including accounting principles, management accounting, audit, and International Accounting Standards courses, generally consist of course titles and outlines very similar to those of American and Britain programs. Moreover, much of the research and studies of accounting in Jordanian universities merely “translates and introduces” western methods and techniques (Al-Akra *et al.*, 2009; Hutaibat, 2005).

For accounting to play a significant role in the economic development of any country, it should provide information that is relevant to its local environment and needs. Accountants must have strong professional competencies as well as the necessary learning, and problem-solving skills so that they can adapt practices for a changing society. The weight of western influence on the accounting education system and, thus, the accounting profession in developing countries has raised questions among researchers in the field about its relevance and usefulness, given the vast social and economic disparities between countries such as the USA and those in the developing world. Briston argued that accounting systems should be developed for a nation’s needs, and Wallace also argued that the needs of users of accounting information in developing countries are not the same as those in developed countries. It follows then, that western accounting models adopted by developing countries may not be appropriate to the needs of accounting information users there.

Briston and Liang, Briston and Wallace agree that western accounting systems are deficient to some extent in meeting the needs of users and producers of accounting information in developing countries. Many developing countries do not have financial accounting or auditing standards of their own but instead use International Financial Reporting Standards (IFRSs) developed by the International Accounting Standards Board for reporting purposes, and International Standards on Auditing for audit and related procedures. It has also been argued that these standards, developed in and for industrialized economies with sophisticated capital markets, are mainly suited to the needs of private sector investors and large businesses. As such, they may not be suitable in the public sector-based economies and for small business operations which predominate in many developing countries, and is the case in Jordan. Some researchers also argue that the use of the IFRSs does not address areas that are important for developing countries and, therefore, do not serve any useful purpose (Roberts *et al.*, 2002; Berg and Nenova, 2004; Al-Akra *et al.*, 2009; McGee, 2009). For that reason, researchers have argued against the adoption of IFRSs or international auditing standards by developing countries without modification by professional accounting bodies in those countries (Rutherford, 1996, 1998; Berg and Nenova, 2004; Al-Akra *et al.*, 2009; McGee, 2009).

In Jordan, as economic development gained pace, the situation has been more critical; the quality of public university teaching in accounting and auditing suffered from a lack of current curricula, and too few teachers. Undergraduate-level accounting and auditing courses focus on elementary topics and did not include IAS/IFRS. The quality of accounting education has been relatively better at the post-graduate level because the curriculum includes IAS/IFRS and encouraged empirical research. However, the Jordanian Association of Certified Public Accountants (JACPA) has not required its members to undertake regular professional development training under continuing education schemes, as stipulated by the International Federation of Accountants (IFAC). Thus, the quality of Jordanian university and college curricula in the fields of accounting and auditing needed to improve by establishing guidelines consistent with recent IFAC-issued International Education Standards (Rutherford, 1996, 1998; Berg and Nenova, 2004; Al-Akra *et al.*, 2009; McGee, 2009).

The use of computer applications in accounting education is a significant factor in improving its quality. For over 20 years, accounting researchers have been studying the cognitive effects of a variety of techniques for integrating computers into the accounting curriculum. The American Accounting Association had recognized the growing pressure on accounting educators to integrate computer technology into accounting education in a 1985 report, identifying three primary sources of this pressure. First, the Association to Advance Collegiate Schools of Business included computer use in accounting courses as part of its accounting program accreditation evaluation. Second, the widespread use of computers in accounting practice has pressured accounting departments to produce computer-literate graduates to enhance their employability. Third, computer use in secondary education has increased students' expectations and desires to use computers in college (Al-Khadash and Al-Bishtawi's, 2010).

Al-Khadash and Al-Bishtawi's (2010) study concluded that since Jordanian institutions of higher education are oriented to teach computer applications in accounting, there exists a need to understand and predict students' perceptions of computer use. With this insight into students' perceptions, expectations, and preparedness, instructors and decision-makers could improve students' learning experience. Their findings showed that students' prior experience of using computers and their attitudes to computer application use may act as predictors of their perceptions of the value-add of studying accounting applications.

Most of the previous studies in the accounting education field have examined the relationship between students' perceptions of computer skills in accounting and their attitudes, among other variables such as gender, or prior computer experience (Al-Khadash and Al-Bishtawi's, 2010). Other studies focused on the development of accounting regulation in Jordan (Al-Akra *et al.*, 2009). No previous studies have, however, attempted to explore the development of accounting education in Jordan as influenced by socio-economic transformation (Alsharari and Abougamos, 2017). Accordingly, this study can be considered one of a very few that have attempted to explain the development of accounting education in the Middle East. In doing so, this study contributes to the literature by filling this research gap and suggesting directions for future research in this domain.

## 2.2 Socio-economic changes and accounting education

Accounting education and practice in Jordan has been subject to an ongoing process of development over more than 50 years. The discipline of accounting continues to adapt, with concomitant change in accounting education that will meet present environmental challenges and the needs of business (Gray, 1988; Jönsson, 1988; Luther, 1996; Al-Akra *et al.*, 2009; Ahmad and Saad, 2013).

Professional organizations declare that today's accountant differs dramatically from the accountant of the past. Latter-day professionals require a value-added focus from their time of entry into the sector until retirement. Even comprehensive technical knowledge of accounting methods will no longer suffice; accounting systems and financial reports are required to be deployed more flexibly, and in conjunction with a range of both financial and non-financial performance measures (Feridun and Al-Khadash, 2006; Ferreira and Otley, 2009; Al-Khadash and Al-Bishtawi's, 2010). Further, professional accountants are often required to provide input in the areas of finance, marketing, management, global strategy, and information technology. Communication, critical thinking, and leadership skills have therefore become essential for the new accountant, who is expected to be an integral part of an organization's decision-making team (Dyer, 1994, 1996; Carozzi, 1998; Al-Khadash and Feridun, 2005; Al-Khadash and Al-Bishtawi's, 2010).

Increasingly complex transactions, changing expectations, and the progressive globalization of business over the last two decades have served to magnify the need for currency. Dyer (2001) has suggested that, owing to rapid advances in information

technology, “fundamental changes” in higher education in general in the twenty-first century are warranted. For accounting education in particular, however, Dyer (2001) expressed a concern that a focus on teaching the “softer” skills may mean that entry-level accountants do not possess adequate technical abilities. This issue is highlighted in the case of Jordan, where education reform needed to take place in a system where the status quo is maintained and could not properly prepare students for the contemporary business environment. In this light, a new educational approach was necessary, one that would give accountancy students the intellectual and communication skills and analytic capabilities enabling sound decision making in the face of social and economic change and facilitates continuing professional development throughout their careers (Al-Akra *et al.*, 2009; Alsharari, 2013; Alsharari and Abougamos, 2017).

Indeed, accounting education in Jordan cannot be effectively studied without an adequate understanding of how accounting affects, and is affected by the economic, political, and social context. After the first Gulf War in 1990, the Jordanian economy was left in a precarious position characterized by soaring budget deficits and high unemployment. Over the following decade and a half, government-led structural reconfiguration toward a service-oriented economy was further strengthened by the programs of the NA instituted in 2006. With the rise of the service sector, which is now considered the primary sector of the economy, the need for new accounting practices became evident alongside demands to modernize Jordanian society and expand commercial and productive activities. Despite the growing importance of accounting education in Jordan since then, there has been little documentation of how the profession has developed to meet this need, nor of the significant formative influences at play. Therefore, research which seeks to understand the social, economic, and political forces that impacted accounting education and development of the profession in Jordan is warranted (Al-Akra *et al.*, 2009; Alsharari, 2013; Alsharari and Abougamos, 2017).

### 3. Methodological underpinnings

This paper aims to explain the development of accounting education in Jordan within a context of progressive socio-economic change, and to identify strategies that may effectively improve accounting education and the accounting profession in Jordan. The paper presents an explanatory study of how accounting education has developed in Jordan and changed during a reform of a bureaucratic system. Different sources of data including historical and statistical analyses, documents, and archival records are used. The study also uses historical sources and website analysis methodologies for investigating historical accounting education philosophies and practices as well as contemporary education management philosophies and related practices and discourse. These are examined through the lens of the institutional economic theory-based constructivist approach (Manning, 1997; Jupille *et al.*, 2003; Alsharari *et al.*, 2015).

The paper aims to present the benefits of and barriers to developing accounting education so that the accounting practice will align with the needs of a transforming economy. In this explanatory study, the environmental factors influencing accounting education are presented in a compilation of inputs and evidence in an approach, which constructs a picture of accounting education and practice in Jordan that is also an analysis of the socio-economic context. The constructivist approach is based on theories of knowledge acquisition, and problem solving through the construction of knowledge as models and diagrams, planning, and organization. However, that the constructivist approach is, therefore, particularly applicable to studies of education, it has been argued that it is rarely used in accounting education research (Kasanen *et al.*, 1993; Manning, 1997), which is borne out by a review of the accounting literature. This paper suggests a possible explanation for this scarcity is the lack, to date, of research which attempts to understand accounting education in Jordan as a social, rather than a strictly technical practice. By presenting an explanatory study of the

development of accountancy education in Jordan in an environment of socio-economic transformation, and identifying the factors which are hindrances to development, the paper addresses this gap in the literature.

The study's analysis is based on three main concepts. First, constructions refer, in general terms, to factors which produce solutions to explicit problems, in this case socio-economic factors. By developing a construction, something that differs profoundly from anything that has existed before is created: constructions tend to create new understandings of reality (Manning, 1997; Jupille *et al.*, 2003; Alsharari *et al.*, 2015). Second, an important characteristic of constructions is that their utility can be demonstrated through implementation of the solution, such as developing an accounting education system. Third, constructions in this paper refer to the strategies and techniques deployed to solve problems that emerge in managing organizations. The constructivist approach is a research procedure for producing constructions. The study demonstrates that the constructivist approach, grounded in accounting theory and leading to working accounting constructions, satisfies the requirements of valid applied accounting research (Manning, 1997; Jupille *et al.*, 2003; Alsharari *et al.*, 2015).

To enhance the validity of the research results, this study used the triangulation method of data collection, with documents and archival records as primary evidence, and historical and website analysis methodologies as secondary evidence. This approach has been widely used by many authors in accounting research (Lind, 2001; Marginson, 2002; Hopper and Major, 2007; Lukka, 2007; Vaivio and Sirén, 2010). Using the constructivist approach here, data were collected to describe, explain, and reflect upon the events surrounding the development of accounting education in Jordan.

The process of analysis began at the same time as the data collection, and prepared for analysis progressive categorization in a word-processing program. The process of analysis commenced with a full description of all data, which were then entered, and coded in QSR Nvivo10 software by reading and re-reading. In this way, specific issues that emerged from the data relating to other evidence were identified. Thus, data reduction took place when common sequences and patterns were spotted and highlighted. Similar themes were then grouped and classified, while scrutinizing for any variations in perceptions among the data that might disconfirm the patterns previously identified. These procedures were followed to guarantee the plausibility of the analysis and the authenticity of the study findings (Alsharari, 2013; Alsharari and Abougamos, 2017).

#### 4. The study analysis

##### 4.1 Jordan's socio-economic environment

Jordan is considered as an emerging free-market economy. Like many other developing countries, the Jordanian economy has faced substantial environmental challenges in the past two decades, among them a scarcity of natural resources, large budget deficits, rising debt, structural unemployment, high taxes and low quality of public services, bureaucratic public management, and an education system undeveloped beyond traditional methods. Jordan's location, and its ruling regime, have helped the country to form strategic relations with the EU and the USA, through several international agreements. As a result, Jordan launched the NA initiative in 2005, which represented a remarkable milestone in efforts to build a modern Jordan and address its challenges. The NA aimed for sustainable development by implementing various socio-economic reforms, supported by international donors and advisors, to set Jordan on a productive reform path toward rapid economic and political development (see National-Agenda, 2015). Consequently, a reform of the education bureaucracy toward a new education system to better meet the needs of a knowledge-based economy, for which accounting education has particular relevance, began.

Although one of the smallest in the Middle East, Jordan's is an open, market economy. With limited water resources, and need to import most of its energy, the country is supported, to a significant degree, by foreign loans, international aid, and remittances from expatriate workers. The main internal sources of national income are customs and tax revenue, exports, and foreign investments (IMF, 2009). Transfers facilitated by the regional oil price rises of the 1970s and early 1980s resulted in an economic uplift for Jordan; recession in oil-exporting countries of the region then adversely affected Jordan in the mid-1980s. In 1988, economic crisis forced the devaluation of Jordan's currency amid a major slowdown in the regional economy. To revive a collapsing economy, in 1989 the Jordanian government embarked on an extensive expenditure program financed by external borrowing over a lengthy period. A quantum leap in exports and reduction imports, which has been sustained. Yet the country struggled with a considerable debt burden and increasing unemployment, exacerbated by the social and political consequences of regional military upheavals, such as the return of many expatriate workers and the arrival of foreign refugees seeking temporary accommodation compounding already high rates of poverty. In addition to water scarcity, Jordan's total reliance on oil imports for its energy needs, regional instability has been a major hindrance to economic growth (Al-Hyari, 2009; Alsharari, 2013; Alsharari and Abougamos, 2017).

Jordan's transformation from a closed economy with a conservative bureaucratic administration to a more open economy by the early 2000s followed the principles of New Public Management (NPM) (Alsharari, 2013; Alsharari and Abougamos, 2017). Since that time, government reforms which aim to increase revenues and restrain expenditures, supported by the International Monetary Fund (IMF) and the World Bank, have countenanced the major global economic slowdown, increased international prices, and ongoing regional turmoil. These factors contributed to renewed depression of Jordan's economic growth as measured by GDP and other indicators, and the budget deficit rose again during the period 2011-2012 to over 10 percent of GDP. Trade balances have remained highly unstable, although foreign currency reserves have been adequate to safeguard against short-term fluctuations.

The country began industrializing by encouraging small- to medium-sized producers to sell their products overseas as a means of enlarging the private sector, increasing employment, and expanding the tax base. By 2000, Jordan was ranked third among Middle Eastern countries as the most industrialized economy, according to Competitive Industrial Performance Index, and overall, one of the most competitive Arab economies (Alsharari and Abougamos, 2017).

The programs of the reform agenda have contributed significantly to reducing internal and external imbalances. Indeed, it was these macroeconomic indicators which placed the economic and political pressure on the state to adopt a real reform path and, thereby, avoid more drastic measures. Furthermore, macroeconomic policies largely influenced by the Central Bank's responsibility for keeping stable fixed exchange rates relative to the USA dollar have provided greater economic stability for the whole economy.

Reform-based donor projects aimed at establishing a market economy in Jordan have had success, however that Jordan's budgetary dependence on external income sources remains substantial. Large components of the budget consist of direct aid and flexible loans from major international and regional donors. Increasing levels of Arab aid appear, on the one hand, to be related to intra-Arab rivalries and the maintenance of the regional status quo. On the other hand, western and multilateral aid is conditional upon political liberalization, free-market economic reforms, and efficiencies being made in the administrative bureaucracy, in the NPM vein (CIA, 2012).

To summarize, Jordan has been acknowledged among international organizations and donors for its efficient deployment of resources relative to other middle-income countries.

World Bank data from the Aggregate Governance Indicators place Jordan in the middle of the third upper quartile in terms of government effectiveness, displaying an upward trend since 2007. Although several new institutions have been established, and reform programs implemented under the guidance of international donor-consultants, a number of constraints on progress remain. In particular, favoritism and kinship continue to play influential roles in the process of appointing new officials and staff to public administrations.

#### 4.2 *Economic transformation in Jordan*

Jordan has managed to achieve the economic stability and growth that it has despite the challenges of difficult political and economic conditions extant in surrounding Middle Eastern regions, and its own inherent limitations to growth in terms of size, availability of resources, and narrow industrial base, as outlined in the previous section. Government initiatives to reform public administration and policies to liberalize the economy and reduce the balance of trade deficit have been successful because they have focused on the major aspects of the economy: natural resources, monetary policy and inflation, balance of trade, and unemployment, which are outlined in the following sections.

*4.2.1 Natural resources.* Jordan's significant mineral deposits make it one of the largest exporters in the world. The country's uranium reserves, some in phosphate rock deposits, account for 2 percent of the world's total uranium. It is forecast that Jordan can extract sufficient quantities of uranium ore for the development of a nuclear industry, which would help to provide energy security, reduce fossil fuel consumption, lower energy costs, and power railways. Production from phosphate and potash mines enables Jordan to be the world's sixth largest producer and second largest exporter. Annually, two million tons of potassium are extracted from the Dead Sea, in addition to its unique salt (Statistics-Department, 2012; Alsharari and Abougamos, 2017).

*4.2.2 Monetary policy and inflation.* The Central Bank of Jordan controls monetary policy and plays a valuable role in developing balanced and sustainable economic growth to achieve fiscal stability and control inflation (Hussein, 2001). Fiscal stability is achieved by the Bank's focus on increasing foreign currency reserves to assist the stability of the Dinar's exchange rate. Inflationary pressure has been contained sufficiently for increasing confidence in the Dinar to act as an instrument to encourage savings, owing to the stabilized exchange rate and increased returns on Dinar deposits. For example, in 1996 the Central Bank intervened in the money market by using the indirect monetary control approach, i.e., as the buyer or seller of three- and six-month certificates of deposits valued in Dinar. The banking sector has developed by attracting foreign investments, due to Jordan's conservative banking policies, including Islamic policies and risk management that helped Jordan escape the worst effects of the Global Financial Crisis of 2009. Jordan is thus ranked as the fourth freest economy in the Middle East and North Africa (Statistics-Department, 2012; Alsharari and Abougamos, 2017).

*4.2.3 Trade balance.* Jordan has concentrated on economic growth particularly by increasing exports of its products, and reducing the amount of imported goods. By narrowing the external trade gap and pursuing other more liberal economic policies, the Kingdom has become the most competitive economy in the Middle East. The government has assisted export projects and involved the private sector in increasing exports by supporting their entry into new markets. The quality and competitiveness of Jordanian products have improved to match international market standards: the increase in the number of companies and enterprises holding ISO 9000 certification has also led to the rise in exports. Table I quantifies the value of exports and imports in Jordan from 2008 to 2014. The increased trade deficit from 2011 to 2014 is attributable to the conflicts in Syria and Iraq.



**4.2.4 Unemployment.** Despite education rates in Jordan being high, compared to other countries of similar income, as well as its high rate of population growth, unemployment has remained intractable, and the main barrier to greater economic advancement. A lower stable rate of unemployment has been difficult to achieve, as the fluctuations from 12.2 percent in 2012 to 11.9 percent in 2014 and rising again to 12.9 percent in the first quarter of 2015. Unemployment in the Jordanian population was ranked 56th out of 196 countries in 2010 in terms of government policies aimed at lowering their rates of unemployment (Statistics-Department, 2012; Alsharari and Abougamos, 2017).

As noted previously, government policies relating to macroeconomic stability that were implemented in 1996 were expected to increase the welfare of the whole society. Income disparity within Jordanian society has, however, not only remained high, but has increased since the turn of the millennium (Alsharari, 2013). Further, while human resources are considered to be the country's most valuable capital, many skilled and educated Jordanians are working abroad because of the better opportunities and who have, paradoxically, helped to sustain the economy with their remittances.

**4.2.5 Economic performance.** Since the beginning of twenty-first century, Jordan has prospered relatively and moved toward productivity, innovation and a knowledge-based economy, in addition to returning investor confidence, and maintaining political stability and good international relations and competitiveness. All of these factors have contributed to the growth and development of an economy which has attracted more than 10,000 new business enterprises, and over 50 major multinational companies (JIB, 2011). The social impacts of this economic improvement can be seen in Jordan's classification as a "safe" country by both global and regional standards, according to the comparative criteria of the World Economic Forum Global Competitiveness Report for 2013-2014, as clarified in Table II.

## 5. The discussion and results

### 5.1 The business environment in Jordan

Political stability and social safety contribute significantly to the environment in which business has introduced. Of nine Arab states, Jordan ranked second in leading democratic

**Table I.**  
Trade balance  
in Jordan

Year	Exports (JD)	Imports (JD)	Trade balance (JD)
2008	4,431,113	12,060,895	-5,084.4
2009	3,579,166	10,107,696	-4,448.8
2010	4,216,949	11,050,125	-4,823.8
2011	4,805,873	13,440,215	-6,261.7
2012	4,749,570	14,733,752	-7,486.6
2013	4,805,234	15,667,344	-8,270.1
2014	5,163,030	16,280,188	-8,495.6

**Source:** Central Bank of Jordan

**Table II.**  
Global  
competitiveness  
report 2013-2014

Police services reliability	Business costs of crime and violence	Business costs of terrorism	Prevention of organized crime
Jordan 28th worldwide	Jordan 16th worldwide	Jordan 56th worldwide	Jordan 13th worldwide
Egypt 132	Egypt 143	Egypt 148	Egypt 138
Israel 57	Israel 50	Israel 136	Israel 65
USA 24	USA 87	USA 128	USA 84
UK 26	UK 48	UK 89	UK 28

**Source:** World Economic Forum (2013-2014)

reforms, according to the 2014 Arab Democracy Index[1]. The Jordanian regime has acted to ensure the country's stability and security through its highly trained police and military forces, raising Jordan to one of the top ten countries for internal security worldwide. Similarly high standards have been applied to financial and legal practice in order to attract investors, and allow innovation and capital (Alsharari and Abougamos, 2017).

As an emerging free-market economy, Jordan has been able to enter into several free-trade agreements, well ahead of any other country in the region. Its regime has very close relations with the UK and the USA, as well as being a member of many regional and international cooperative associations such as the League of Arab States, the Arab Fund for Economic and Social Development, the Arab Inter-Parliamentary Union, the Arab Monetary Fund, the World Trade Organization, the World Customs Organization, the IMF, the International Criminal Court, the European Neighborhood Policy, the United Nations, and the UN Human Rights Council. The Kingdom also enjoys advanced international status with the European Union and the Gulf Cooperation Council (JIB, 2011).

The status thus conferred by these memberships has contributed to Jordan's economic growth in liberalized trade barriers, which have improved the efficiency of Jordanian companies and increased exports, attracted foreign investment, and necessitated the adoption of advanced information technologies and financial accounting practices. Jordan has also been established as a free-trade zone in a new partnership agreement with the European Community which has yielded economic benefits (Hussein, 2001), including increased direct European investment in Jordan; free access for Jordanian agricultural and industrial goods to EU markets; and assistance with Jordan's adoption of state-of-the-art technologies and applications (Hutaibat, 2005).

In addition, Jordan has a bilateral investment agreement with the USA for greater economic cooperation between two countries, and enhanced trading terms, and has signed agreements with the UK, Germany, France, Romania, Switzerland, Turkey, Italy, Malaysia, Egypt, Tunisia, Indonesia, Yemen, and Algeria with similar purposes and aims (Hussein, 2001). A total of nine qualified industrial zones in various locations within its territory have been recognized; the nature of work in these zones deems a temporary entrance position (import, then export). The government has acted to protect domestic products from international competition through the Investors Protection Law, and at the same time has granted foreign investors many exemptions, for example, in customs and sales tax. To further facilitate trade and export revenue, procedural reforms have been instituted in Jordan Customs, which has joined with the World Customs Organization in its aim to unitize customs procedures and tariffs on a worldwide basis for easier and more secure exchange of goods.

### 5.2 Privatization program

The purpose of the government's privatization program in Jordan was to reduce the state's role in productive sectors and incentivize private investment in those sectors to stimulate the economy. Following institution of the program, the Jordanian government created an Executive Privatization Unit to both regulate and speed the process. The program has been implemented progressively in numerous enterprises and at different stages of transformation, the first being within the energy, transportation, industrial, mining, tourism, telecommunications, and water sectors; and second, in the privatization of National Petroleum Corporation, Arab Potash Company, Jordan Phosphate Mines Company, Royal Jordanian Airlines, Jordan Investment Corporation's shareholdings, and the Postal Saving Fund (Verger *et al.*, 2016).

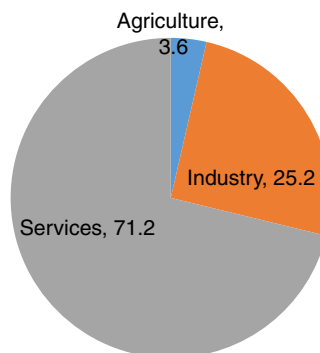
In this key process of privatization, the government's purpose was to free the economy for growth and, as well, redefine its economic role. The privatization program aims to deliver all state-owned companies to the private sector (Verger *et al.*, 2016).

The size of the service sector's contribution to Jordan's economy is highlighted in Figure 1. In 2015, this sector accounted for US\$25,763 M, or 71.2 percent of total GDP of US\$36,700 M. It is now considered the primary sector in Jordan economy. In the light of all these relatively rapid developments in the Jordanian economy, as outlined, and the resulting accumulation of experience in growing domestic and international markets, Jordanian companies have been required, if they are to compete, to develop their production and logistics systems, and their accounting practices. In an increasingly complex economy, multinational business activities assume far greater importance and demand an accounting focus that was not previously called for. As an economy becomes more involved in international trade activities across a greater number of markets, it become necessary to consider the mechanics of balance of payments and foreign exchange. Therefore, the government has been required to bring its accounting systems into alignment with the need to monitor trade flows, observe foreign currency, and to assess important duties. Further, the arrival in a country of more transnational corporations attracts international auditing firms to establish offices, whose subsequent involvement will be a driving factor in the adoption and establishment of relevant accounting procedures (Al-Akra *et al.*, 2009; Alsharari, 2013; Alsharari *et al.*, 2015; Alsharari and Abougamos, 2017). The following sections provide the cultural context of the development of accounting education in Jordan.

### 5.3 Jordanian culture and education

Most of Jordan's population is of Arab origin, in a demographic division of 79 percent urban dwellers, 16 percent agricultural peasants, and 5 percent nomads. The majority (approximately 90 percent) of the population is Sunni Muslim, and 4 percent Christian. The official language is Arabic and as the main second language, English is taught at all level in school and universities, and is widely used in business communications.

Islamic principles have inhered in Jordanian culture since the establishment of Islam in the seventh century, and Jordan has a rich religious culture observed in its rituals and holy sites reflecting this long heritage. The role of religion is such that it represents a highly significant cultural input in the economies of some Islamic countries, particularly in how Muslims transact business. For example, western accounting practices are perceived to be contrary to Islamic values because they draw on assumptions that contravene Islamic principles such as the prohibition of interest and the accounting principle of deferred tax. However, Islamic principles demand transparency in all activities, including accounting, and therefore disclosure of information to shareholders or users is held to be essential.



**Figure 1.**  
Jordan's GDP  
by sector

Source: World Bank Report

In this regard, there is no conflict between the principles of modern accounting systems, which ostensibly require full disclosure, and the Islamic value of open business dealing (Al-Akra *et al.*, 2009).

The education system in Jordan has developed along with the modernization of the state through the adoption of advanced national and international curricula. The Ministry of Education has mandated that students be proficient in English and computer skills before they enter university in most disciplines. In 2015, Jordan was ranked first in education quality in the Arab World, and for indicators of human development in the same year, 80th of 188 countries worldwide, in a sustained upward trend. Literacy in Jordan now extends to 96.7 percent of the population. There are more than 200,000 students enrolled in Jordan’s 25 universities, a number of which were established beginning in the 1990s, with both public and private participation. In all, 20,000 students are studying abroad, including in the UK and the USA (see Figure 2).

The increasing standard of education in Jordan has been a significant contributor to Jordan’s transformation from a predominantly agricultural to a service-oriented state. The quality of education also represents the allocation of resources to the young, who constitute 70 percent of the population, the future workforce in an environment of continuing change. Significantly, management information systems, including an accounting module, are now taught at secondary school level.

#### 5.4 Accounting education and practice in Jordan

Accounting practice is, largely, both a product and reflection of the environment where it takes place. Cooke and Wallace (1990) state that “the accounting objectives, standards, policies, and techniques result from the environmental factors in each country.” Culture is considered a significant aspect in the study of the accounting discipline. While Hofstede’s (1983) view of cultural relativity in management practice is affirmed in this study, the assumption that within a culture values related to work will have the same intensity represents a restricted view of cultural dynamics. The relationship between the design of a management control system and a national culture embodies an expansion of its organizational foundations (Hofstede, 1983, 2010; Hofstede and Hofstede, 2005). The fundamental suggestion here is that the particular cultural characteristics of a culture influence individual members to respond in distinctive ways to management systems. With the rise of transnational business operations, culture has therefore become an important consideration in organizational design. The decision for these corporations is whether to

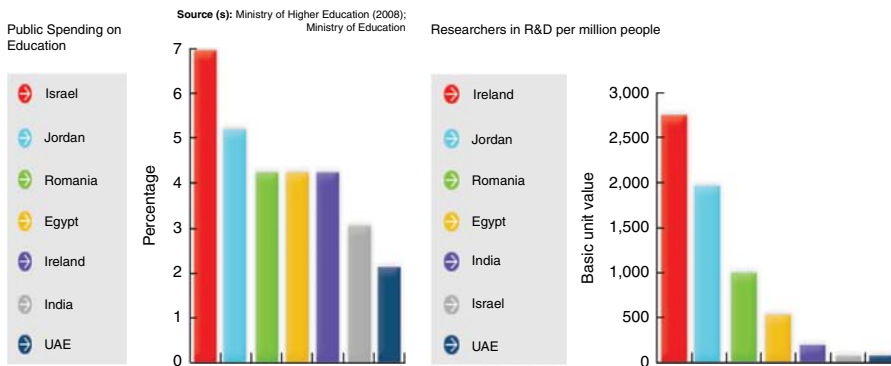


Figure 2. Comparative public education expenditure indicators

Source: Department of Statistics

export their domestic systems overseas, or redesign them to align with the work-related cultural values of their offshore entities (Harrison and McKinnon, 1999; Chenhall, 2003).

Accountancy has been experienced in Jordan, and in its neighboring states, throughout their histories of colonial occupation in the region, British in the case of Jordan. Zaid (2004) noted that the Islamic revival from the 1970s led to the development of various accounting systems to suit the need of the Muslim majority to comply with Islamic Sharia, such as the duties of Zakat (alms-giving). The accounting profession is regulated by the Accounting Professional Council, with the law regulating entry into the profession, enacted in 1961, licensing accountants who had practiced for two years. This law was amended in 1985 to allow Audit Bureau regulation of accounting entrance examinations, professional practice, and membership of the professional body (Solas, 1994). Accounting practice in Jordan is largely a product of the educational background of practicing accountants, who received their accounting education largely from universities in the USA, the UK, and also in other countries such as Australia, Russia, and Jordan. The JACPA, established by law in 1987, became a member of IFAC in 1992 (Al-Akra *et al.*, 2009).

The current quality of accounting education in Jordan that has attracted foreign investors to the country, and foreign investment has, in turn, conferred importance on accounting education while transferring western accounting practices to the region. In accounting education at university level, most modules and textbooks are in English, having been adopted from the West (Al-Khadash and Al-Bishtawi's, 2010). Owing to the scale of domestic and international transactions in the Jordanian economy, financial accounting plays a key role. With intensifying competition, and the availability of advanced technical applications, many smaller local enterprises have found management accounting to be an important tool for management processes such as planning, control, performance evaluation, and decision making. Financial accounting is, however, used more than management accounting in public administration, because management accounting is newer, and managers and accountants in that sector are slower to adopt or accept change. Hutaibat (2005) has explained that one of the main reasons for the lack of interest in accounting education at that time in Jordan was the society's distrust of predictive techniques, and management preferring to make decisions without reference to the forecasting role of management accounting.

The environment of socio-economic change in Jordan, as documented in the preceding sections, characterized by the country's relatively rapid attainment to international organizations such as the WTO and the WCO; and the expansion of transnational businesses establishing there in joint ventures or regional offices, along with the fulfillment of the government's privatization program and the prospect of increased competition between international and local companies, anticipates further development of management accounting education and practice. Following this trajectory, it is envisaged that a flow-on effect will occur in public administration, with concomitant development of accounting education and societal benefits.

## 6. Conclusions and future research

This study has described how the government-led socio-economic transformation that began almost three decades ago in Jordan has been decisively influenced the development of accounting education and practice. The country's economic challenges of water and fuel scarcity, large budget deficits and debt, and persistent high unemployment drove programs, which have delivered the economic growth that has required the development of accounting education, and, in turn, practice. The expansion of Jordan's service sector, the improved quality of its education system, and its membership of numerous international trade and cooperative organizations highlights its attainment to international standards in business administration, in which management accounting has a vital and expanded role. In addition, the adoption of IAS and IFRS has incentivized both foreign and domestic investors to invest in accounting education.

Among economic reforms adopted, the state's program of privatization has been significant. Relinquishing state ownership to a wider group of private owners has greatly increased the need for public disclosure, as per the western corporate model, as well as for improved legal protections for investors. Therefore, the accounting profession has been significantly influenced by the introduction of regulatory governance and disclosure requirements. Interestingly, Jordan's cultural value of transparency deriving from Islam was observed to accord with the requirements of disclosure in financial transactions.

The study found that the role of the accounting profession is no longer narrowly technical but, in a globalized world, demands a range of skills essential to organizational management and decision making. In the case of Jordan, these new demands have arisen with the modernization of the state and society characterized by an expanded commercial and productive base. The relationship of accounting practice and socio-economic transformation demonstrated in the case study affirms Hopwood and Miller's assertion that accounting, beyond its technical and functional applications in business, is a social practice. Therefore, this perspective is recommended for future studies to adopt in researching accounting education development in Jordan, and in the Middle East more broadly.

Despite the importance that accounting education in Jordan has assumed because of economic change, there has been little documentation of the significant formative influences. The study has shown that accounting education in Jordan cannot be effectively studied without reference to how accounting affects, and is affected by social, economic, political, and cultural dimensions of its operating environment in a mutually influential relationship.

This paper has made several contributions to accounting research, regulation, and practice. It fills a gap in accounting research by examining accounting in an environment of socio-economic transformation in a Middle Eastern country, namely Jordan, which has not previously been examined. It has highlighted the significance of socio-economic factors to changes in accounting education and practice, in a mutually influential relationship. Further development of education, particularly in the accounting curriculum area, may be necessary to keep pace with ongoing change in the business environment, and improve adoption of management accounting in the public sector. While economic reform in Jordan has been shown to benefit accounting development, further research that addresses monitoring the quality of accounting education in Jordan is needed.

The study's explanatory approach has provided knowledge, which can assist administrations and researchers in other developing economies to make informed decisions when they consider changes in their economic and regulatory policies aimed to promote their countries' business environments. Future research could potentially examine accountancy practice in Jordan in more detail using institutional theories, in the light of its reform of corporate governance frameworks.

#### Note

1. Arab Democracy Index ([www.arab-reform.net/en/node/285](http://www.arab-reform.net/en/node/285)).

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