

CORPORATE SOCIAL RESPONSIBILITY (CSR) FROM ISLAMIC PERSPECTIVE: A LITERATURE DISCUSSION

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Abstract: *Islamic banking industry has been established for almost fifty years since 1970s. Although an Islamic bank still makes up only a fraction of the banking assets of Muslims, it has been growing faster than projected. The Shariah based concept, products and services provided have been well accepted worldwide. However, there still lack of discussion on how Islamic banks adopted all the Islamic ethical principles in performing their CSR. The paper aims to discuss the CSR concept from Islamic perspective. It is a conceptual attempt to discuss on how Islamic principles can influence the Islamic banks to the implementation of CSR. The religious characteristics that acted as a foundation for the establishment of Islamic banking are expecting to have an influence on corporate social responsibility. For that reason, the paper examines and analyse the relevant literature on Islamic bank and CSR discussions. The paper finds that, Islamic principle has a strong influence of CSR practice among Islamic banks. Thus, it is expected that the Islamic banks should be more proactive in CSR practice rather than conventional bank in fulfilling its religious obligation and their exemplary as a financial intermediary. Our study offers an original contribution to Islamic banking literature by develops a link between Islamic banking and Islamic ethical principle in CSR practice.*

Keywords: *Islamic Bank, Corporate Social Responsibility, Islamic Ethical Principle*

Introduction

The corporate social responsibility concept has been discussed since 1930s and the contemporary era of CSR discussion began in the 1950s (Caroll, 1999). In Islam, the CSR concept have been clearly highlighting and discuss in the Holy Quran since 1436. Corporate Social Responsibility (CSR) is a priority issue should be highlighted by all Islamic banking managers to avoid a management issue and business scandal such as frauds, breaches of trust and other unethical behaviours such happened to Barings, Enron WorldCom and number of companies around the world (Snider,2003; Dusuki 2009).

Nowadays, in the Western countries, consultancy firms have sprung up to advice corporations on how to implement CSR and how to let the public know they are doing it. This have been followed by AAOIFI with the establishment of a comprehensive ethical reporting guideline in 2010 to enhance and promoting CSR reporting among Islamic banks. The emergence of CSR in the West today requires an instructive examination from an Islamic perspective. Thus, this paper, therefore, aims to discuss the concept of CSR in Islamic banks from the Islamic perspective. In doing so, it examines the concept of CSR from Islamic point of view to enhance the practice of CSR among Islamic banks.

Numerous theoretical and empirical studies have investigated the phenomenon of CSR in Islamic banks(such as:Mohammed 2007; Khan 2010; Aris et al. 2013; Hassan et al. 2012). Notwithstanding the progress made to date to illuminate the importance of CSR, there still a limited study (see: Mohammed 2007; Rashid et al. 2013; Williams & Zinkin 2009) which discuss CSR practice from an Islamic perspective especially among Islamic banks. This study attempts to fill that gap.

The paper is arranged as follows: first, the introduction section, then the discussion of Islamic banks and CSR, prior study of CSR from Islamic point of view, Islamic principle in CSR, a brief discussion about AAOIFI, a critique of Islamic teaching and practice, finally, the concluding remarks.

The Islamic Banks And Corporate Social Responsibility (CSR)

The establishment of Islamic banks was due to criticism of conventional banks charging interest on their banking activities(Beck et al. 2013). The practice of interest has been reported to have a negative effect on the development of the socioeconomic system (Siddiqi, 1983; Ariff, 1988; Lewis and Algaoud, 2001; Ahmad and Hassan, 2007). Chong and Liu (2010) state that the prohibition of interest or *Riba* in Islam can be viewed as part of Islam's general vision of a moral economy. Thus, Islamic banking was introduced as an alternative to conventional banking. Islamic banks have a strong responsibility to society, to establish a fair distribution of income, justice in the economy, and efficient capital mobilisation. These requirements clearly suggest that Islamic banks should display a strong fundamental sense of social responsibility towards society. The study on the corporate social responsibility of Islamic banks was therefore important in order to establish whether their CSR practice is in accord with the spirit of their establishment to be *Shariah*(Islamic Law) compliance bank.

Islamic banks' commitment to CSR can be decoded through the philosophy underlying their establishment. According to Dusuki and Abdullah (2007b), Islamic banking system is based on three main philosophies which distinguish it from the conventional counterpart. First, Islamic banking strives for a just, fair and balanced society, as envisioned by Islamic economics. Second, Islamic banking is constructed upon the principles of brotherhood and cooperation, and

a system of equity sharing and stake taking. Last, as a system grounded in the ethical and moral framework of the *Shariah*, Islamic banking is characterised by ethical norms and social commitments.

Ahmad and Hassan (2007) indicated that one of the main objectives of Islamic banks is to work towards the establishment of an Islamic society and to create a deepening of the religious spirit among the people. Islamic banks' existence is based on the religious view and spirit. Thus, Islamic banks must ensure that their activities adhere strictly to the rules of the *Shariah*. Therefore, they must ensure that all actions and business activities reflect Islamic principles. For these reasons, they have contended that Islamic banks' obligations towards society are greater than those of conventional banks for the following three main reasons: 1. An Islamic bank has a certain philosophical mission to achieve. According to Islamic principles, God (*Allah*) is the creator and ultimate owner of all resources. Humans and institutions have a viceregency role to play in society. Therefore, Islamic banks are not free to do as they wish; rather they should integrate moral values with economic action. 2. An Islamic bank must provide credit to those who have talent and expertise, thereby strengthening the economic foundations of society. 3. An Islamic bank should aim to create harmony in society based on the Islamic concept of sharing and caring to achieve economic, financial and political stability.

The activities and operations of Islamic banks are not only based on government rules and regulations but, at the same time, must comply with the *Shariah* law. Therefore, Islamic banks' permissible activities are limited compared to those of conventional banks which are not subject to such restrictions, instead being obliged to comply solely with legislation and not with additional religious obligations. Any activities that contradict with Islamic values and principles must be avoided. Islamic banks also should not invest in companies that violate human rights and affected the natural environment (Ullah and Jamali, 2010). Moreover, Islamic banks are not allowed to finance any enterprise involved in activities relating to pork, pornography, tobacco, gambling, and alcoholic liquor (Nathan and Ribiere, 2007). Therefore, Islamic banks bring ethical values and corporate social responsibility to banking practices simply because they are required to abide by Islamic law and the *Shariah*, which full of moral values (Kahf, 1999; Dusuki and Abdullah, 2007b).

While the above principles restrict Islamic banks' activity, they support Islamic banks' core values and activities that cultivate entrepreneurship, trade and commerce, and bring societal development or benefit (BNM, 2010). Khan (1987) indicated that these core values are one of the major principles underlying Islamic banking. Thus, the contribution of Islamic banks to CSR practice is very important such as *zakat* (tax) and *Waqf* (endowment). The *zakat* payment obligation is one of the examples which shows the commitment and contribution of Islamic banks to CSR. It is a valuable tool for redistribution of income. Moreover, it contributes to better and more efficient economic development to the country. Thus, Islamic banks that are driven by religious philosophy should, theoretically, evidence more ethically-founded CSR policies rather than conventional banks.

CSR from Islamic Point of View.

From the Islamic perspective, CSR (corporate social responsibility) represents one's accountability to Allah and encompasses one's accountability to society; therefore, they can be interpreted as an institution, which promote social justice and social responsibility (Maliah, 2000). As Muslims entities, Islamic banks are accountable towards Allah (God), as stated in the Quran: "And fear a Day when you will be returned to Allah. Then every soul will be

compensated for what it earned, and they will not be treated unjustly” (Quran, 2:281). Corporate social responsibility (CSR) in general shows how the companies meet their obligation to their employees and community (Luan, 2005). In the Islamic context, social responsibilities represent the concept of brotherhood “ukhuwah” from one to another. Thus, the social role is very important for Islamic banks and they can be described as banks who have a social face towards the society (Haniffa & Hudaib, 2007; Al-Mubarak & Osmani, 2010; Hasan, 2011). This role is mainly a reflection of the importance of upholding the Islamic principles upon which these banks operate and how they address these social issues (Maali et al., 2003).

Consequently, as banks that operate in Islamic surroundings, it expected that they are aware of the impact of their activities on the community. In other words, Islamic banks should be more active on promoting CSR, rather than just focusing on profit maximisation. Islamic banks are also accountable towards stakeholders and society in general. These accountabilities can be proven through disclosure and full transparency, as stated in the Holy Quran: “And O my people, give full measure and weight in justice and do not deprive the people of their due and do not commit abuse on the earth, spreading corruption” (Quran, 11:85).

Disclosure discussion from Islamic perspective is not relatively new, it has been discussed since the companion’s era and have been clearly stated in the Holy *Quran* and *Hadith*. Such example:

O you, who believe, do not devour each other’s property by false means, unless it is trade conducted with your mutual consent. Do not kill one another. Indeed, Allah has been Very-Merciful to you.

(Quran 4: 29)

Anybody who believes in Allah and the Day of Judgement should not harm his neighbour, and anybody who believes in Allah and the Day of Judgement should entertain his guest generously, and anybody who believes in Allah and the Day of Judgement should talk what is good or keep quiet (i.e. abstain from all kinds of evil and dirty talk).

(Al-Bukhari, Vol 8, Hadith No.47.)

Both *Quranic* and *Hadith* above clearly stated that all Muslims have an obligation to practice a good ethical attitude in conducting business and in their daily activities. There are accountable in every deed. Lewis (2006) emphasises that if the purpose of accounting information is to serve the public interest, this therefore implies that, in an Islamic context, the *Umma* (community) has the right to know about the effect of the operations or investment of the Islamic banks on its well-being and ensure it is in line with the requirements of *Shariah*. Thus, Islamic in fulfilling their CSR obligation towards community, Islamic banks manager must disclose relevant information to public.

Ali Aribi and Arun (2014) conduct a study on how Islamic financial institutions (IFIs) in Bahrain are responding to the CSR needs of society. Using 18 in-depth semi structured interview among 9 IFIs managers and content analysis of the disclosures of 7 IFIs from 2006-2010, their study attempts to understand management perceptions of corporate social responsibility (CSR) in IFIs. The finding stated that based on a thorough understanding of CSR by managers, as evident in the interviews, it has not been translated fully into practice in the institutions. The partial use of IFIs’ potential role in social welfare would add further challenges in the era of Islamic banking and finance industry. Islamic banking and finance regulatory body

supposed to be more proactive to counter this problem and fully utilize the IFIs values rather than just focus on profit maximization.

Table 1: Islamic Ethical Principles in CSR as stated in Quran and Hadith

Source from Quran and Hadith	Values to business practice	Values to CSR practice
<p>-The Holy Prophet said “I will be foe to three persons on the day of judgment, one of them being the one who. when he employs a persons that has accomplished his duty, does not give him his due" (Al Bukhari, No . 2109).</p> <p>-“No Arab has superiority over a non-Arab and no non-Arab has any superiority over an Arab; no dark person has superiority over a white person and no white person has superiority over a dark person. The criterion of honour in the sight of God is righteousness and honest living (saying of prophet Muhammad(PBUH) (Cited in Ali Aribi,Zakaria and Arun 2014).</p>	-Employee fair treatment, equal opportunity, and non-discriminatory behaviour	-Responsibility to employees.
-God likes that when someone does anything, it must be done perfectly well (saying of the prophet Muhammad pray and peace upon Him) (cited in Sallam and Hanafy, 1988).	-Excellence and quality of work	-Responsibility to the employer.
<p>-“And do not do mischief on the earth, after it has been set in order, and invoke Him with fear and hope; Surely, Allah's Mercy is (ever) near unto the good-doers”.(Quran 7:56)</p> <p>-“If the Final Hour (Al-Qiamah) is come, and one of you has a palm seeding in his hand and it is within his power to plant it, then let him do so”(Narrated by Ahmed, Hadith No.12689)</p>	-The importance to protect environment.	-Responsibility to environment.
<p>-"And O my people, perfect the measure and the balance with justice and do not make the people short of their things, and do not go about the earth spreading disorder (Qur'an 11: 85).</p> <p>-"He who cheats is not one of us.” (saying of the Prophet Mohamed-pray and peace upon Him) (Cited in Keller, 1994).</p>	-Honesty and transparency in conducting business transactions.	-Responsibility to customers and clients

<p>-The acquisition of knowledge is a duty incumbent on every Muslim, male and female (saying of the prophet Muhammad-PBUH) (Sallam and Hanafy, 1988)</p>	<p>-Importance of knowledge seeking, research and development, scientific activities, training programme</p>	<p>-Responsibility for personal development program/employee/staff.</p>
<p>-“It is not righteousness that ye turn your faces to the East and the West; but righteous is he who believeth in Allah and the Last Day and the angels and the Scripture and the prophets; and giveth wealth, for love of Him, to kinsfolk and to orphans and the needy and the wayfarer and to those who ask, and to set slaves free; and observeth proper worship and payeth the poor-due. And those who keep their treaty when they make one, and the patient in tribulation and adversity and time of stress. Such are they who are sincere. Such are the God-fearing”.(Quran 2: 177)</p>	<p>-Socio economic justice towards all level of people.</p>	<p>-Responsible to the community.</p>
<p>-“And if the debtor is in straitened circumstances, then (let there be) postponement to (the time of) ease; and that ye remit the debt as almsgiving would be better for you if ye did not know”. Quran 2:280</p>	<p>-Tolerate with the debtor when involve in difficulties to make a repayment.</p>	<p>-Responsibility to debtors.</p>
<p>-“O you who believe, be upholders of justice - witnesses for Allah, even though against (the interest of) your selves or the parents, and the kinsmen. One may be rich or poor; Allah is better caretaker of both. So do not follow desires, lest you should swerve. If you twist or avoid (the evidence), then, Allah is all-aware of what you do”. (Quran 4:135)</p>	<p>-An order to promote social justice</p>	<p>-Responsibility towards society</p>
<p>-“Allah (SWT) says: I will be an opponent to three persons on the day of judgement: One who makes a covenant in My name, but he prove treacherous, and who sells a free person(as slave) and eats the price, and one who employs a labourer and gets the full work done by him but he does not pay him wages”(Sahih Al-Bukhari Vol 3:Hadith No. 2)</p>	<p>-Promoting social justice among community.</p>	<p>-Responsibility to employee and community</p>
<p>-O you, who believe, do not devour each other’s property by false means, unless it is trade conducted with your mutual consent. Do not kill one another. Indeed, Allah has been Very-Merciful to you. (Quran 4: 29)</p>	<p>-Honesty in wealth management and business trade.</p>	<p>-Social responsibility in conducting and managing business trade.</p>

<p>-Anybody who believes in Allah and the Day of Judgement should not harm his neighbour, and anybody who believes in Allah and the Day of Judgement should entertain his guest generously, and anybody who believes in Allah and the Day of Judgement should talk what is good or keep quiet (i.e. abstain from all kinds of evil and dirty talk).(Al-Bukhari, Vol 8, Hadith No.47.)</p>	<p>-Enhance a good ethics among society.</p>	<p>-Social responsibility to the community.</p>
<p>-“So, observe taqwa (total obedience to Allah in awe of Him) as far as you can, and listen and obey, and spend (in Allah’s way), it being good for you. And those who are saved from the greed of their hearts are the successful”.(Quran 64:16)</p> <p>-The Prophet Muhammad (PBUH) said: Every Muslim must pay sadaqah (charity). Then the Companions asked: What about someone who has nothing to give? The Prophet replied: Then let him do something with his two hands and benefit himself. That will be charity. The companion asked again: But what if he cannot do that? The Prophet replied: Then he can help someone who is needy. Again the companion asked: What if he cannot do that? The Prophet replied: Then he should enjoin the doing of good. The companion asked again: But what if he cannot do that? The Prophet said that: Then he should give respite from evil, for that is a form of charity.(Hadith narrated by Al-Bukhari, Hadith No.225)</p>	<p>-Philanthropy</p>	<p>-Responsibility to employee and the community.</p>

(Source: Adapted from Mohammed (2007) and Zakaria (2009).

Islamic Principles in CSR

In contrast to the Western theories such as legitimacy, agency and stakeholder theory, the Islamic view of CSR takes a rather holistic approach. It offers a holistic spiritual view based on the teachings of the *Quran* and the *Sunnah* which provide a better philosophical framework for managers in performing their duties as a vicegerent. In fact, the moral and ethical principles derived from divine revelations are more enduring, eternal, and absolute (Ahmad, 2002 ;Ahmad, 2003b), thus it may serve as better guidelines for Islamic banks when exercising their business and social responsibilities towards its stakeholders or shareholders.

Islamic ethical principles provide a broader framework for CSR. In terms of responsibility and accountability, Muslims believe that they will be accounted for whatever they do in this world and hereafter. Thus, it requires that every deed and word in this world must be in line with the Islamic teachings. The importance of accountability to the man’s life also has been manifested

by the Prophet Muhammad (PBUH) as “*Narrated by 'Abdullah bin 'Umar:: Allah's Apostle said, "Surely! Every one of you is a guardian and is responsible for his charges: The Imam (ruler) of the people is a guardian and is responsible for his subjects; a man is the guardian of his family (household) and is responsible for his subjects; a woman is the guardian of her husband's home and of his children and is responsible for them; and the slave of a man is a guardian of his master's property and is responsible for it. Surely, every one of you is a guardian and responsible for his charges."* (SHAHIH BUKHARI: Volume 9,:252).

The influence of Islam on business practices are well documented in the Holy *Quran* and *Sunnah*. Islamic business values such as benevolence, socio-economic justice, human well-being, public interest can be considered as the core of CSR principle in Islam. Islamic financial Institutions (IFIs) such as Islamic banks are considered as having an ethical identity and they have different social and economic objectives since the foundation of their business is based on *Islamic* principles (Ali Aribi & Gopinath Arun, 2012; Haniffa & Hudaib, 2007; Maali, Casson, & Napier, 2006). Within the range of *Shariah* (Islamic law), Islamic banks are expected to be guided by an Islamic economic worldview, which is based on the principle of social justice and the wellbeing of society (Wajdi Dusuki, 2008). Thus, Islamic banks obligated to give a full commitment towards promoting social justice among the society (Hassan & Latiff, 2009).

According to (Farook (2007) “any notion that IFIs or any other institution that claims to be Islamic, should be socially responsible and must derive its justification from Islamic law and principles, as contained within the Qur’an and the Sunnah of the Prophet Muhammad (P.B.U.H)”. This obligation has been clearly stated in the Holy Quran and Hadith as guidance to all Muslims to be practice. Table 1 lists an example of Islamic ethical principle in CSR as stated in the Holy Quran and Hadith.

The *Shariah* (Islamic Law)

In Islam, the *Shariah* or ‘Islamic Law’ is the foundational basis in understanding CSR. The concept of the *Shariah* in Islam consists of ethics and values covering all aspects of life (e.g. personal, social, political, economic, and intellectual). Dusuki and Abdullah (2007a) stated that the concept of the *Shariah* reflects the holistic view of Islam, which is a complete and integrated code of life, it encompassing all aspects of life, either individual or social, both in this world and the hereafter. Zinkin (2007) stated that the *Shariah* is not just a legal, but it also functions as moral framework. It differs from secular laws, where laws and ethics may differ.

Shariah has grown within the guidelines set by the objective (*Maqasid Al-Shariah*) which aims to promote the well-being of mankind. According to Al-Ghazali cited in Dusuki and Abdullah (2007a, p. 31), “The main objective of the *Shariah* is to promote the well-being of all mankind, which lies in safeguarding their religion (*din*), their human-self (*nafs*), their intellect (*aql*), their family (*nasl*) and their wealth (*mal*)”.

For example, to achieve the objective of *Shariah* in protecting wealth, Islamic banks provide an alternative of a conventional banks which based on interest that give a negative impact on the distribution of income and fairness in economic (Basah 2012). Not just focus of elimination of interest in transactions, the activities of Islamic banks also should be in line with the objective of the *Shariah* and they have to be more concern on the CSR issues as widely practice by conventional bank.

Dusuki and Abdullah (2007a) also stated that the concept of *Shariah* has three implications of the concept of corporate social responsibility. First, in Islam, corporate social responsibility is an initiative of the religious and moral based on the belief that the corporation should be good despite the financial impact. Based on this concept, business is not driven by profit maximisation alone, but with the pursuit of ultimate happiness in this world and in the hereafter. Second, the guidelines set out by the Islamic principles of bring out a balance between individual rights and duties, responsibilities towards other people and between personal interest and altruism. Finally, the concept of reward is developed to incorporating within its reward in this world and the Hereafter. This provides a strong motivation and self-propelling motivation, without denying a person's natural instinct for personal gain. The principles above act as guidelines and a value added of Islamic banks in the financial industry. The *Shariah* acts as an internal control over Islamic banks alongside secular legislation. It supposed to act as internal controls which make Islamic banks more sensitive towards CSR issue than the conventional banks.

Transparency

When it comes to transparency in business, Islam goes much further than the UN Global Compact transparency standards (Williams & Zinkin 2009). For example, clear written contracts are required for all business transactions as stated in the Holy *Quran* (*Quran*, 2, p. 282), and in Islam, as in Judaism, the principle of caveat emptor does not apply. Many *Hadiths* outline that principles such as, “It is not permissible to sell an items without making everything about it clear, nor is it permissible for anyone who knows about its defects to refrain from mentioning it” (*Hadith* narrated by *Al Hakim and Al-Baihaqi*). Muslim businesses are therefore expected to ensure the high quality standards in performing their job and be transparent in their transactions. The issue of quality standards can also be seen in Quranic teaching on weights and measures (Qur’an, 6, p. 152; 17, p. 35; 83, pp. 1–6), for example “Give just measure and cause no loss (to others by fraud). And weigh with scales true and upright. And withhold not things justly due to men, nor do evil in the land working mischief” (Qur’an, 26, pp. 181–183). Whilst this does not of itself imply that the same standard should be applied everywhere, it does require that full information is provided on the standards used, which requires greater transparency and accountability. In Islamic banking perspective, all required information supposes to be transparent and disclose to the public such example CSR information of the banks. The effective medium of disclosure in financial companies such as Islamic banks is annual report and newsletter. It is the best tools for communication towards stakeholder and shareholder (Arvidsson 2011).

Accountability

According to Haniffa (2001), under the Western accountability models, companies are accountable to their stakeholders. In this model, the responsibility and accountability are not considered to extend beyond human society, and the frameworks do not envisage any accountability to God (Allah). From an Islamic perspective, the perceived relationship of individuals and firms with God (*Allah*) affects the concept of accountability (Maali, 2006). Muslims, as required by Islam, have to question their actions or hold themselves accountable before being held accountable by Allah on the Day of Judgment for what they have done in their life (Abdul-Rahman and Goddard, 1998). As a vicegerent and trustee of *Allah*, every human act in this world will be questioned on the Day of Judgement. Farook (2007) called this concept ‘divine accountability’ and it is the basis for all actions of Muslims and, in turn, representative organisations of Muslims. The concept of divine accountability is clearly stated in the holy Quran in such verses as: “When you are greeted with a greeting, greet in return with

what is better than it or (at least) return it equally. Certainly Allah is Ever a Careful Account Taker of all things” (Quran 4:86).-

The word *Hisab* in Arabic, which is a synonym to account or accountability, is repeated more than eight times in different verses in the Holy *Quran* (Askary and Clarke, 1997), it shows of how important the accountability in Islam. According to Lewis (2006), the basic similarity between *Hisab* or account and accountability lies in the responsibility of individuals and businesses to carry out duties as prescribed by Islam. Accountability in this context means accountability to the Islamic community at large, which has the right to know about the effects of the operations of organisations on its well-being (Lewis, 2006). Ibrahim (2000) elaborates this aspect of accountability as follows: "Accountability is the duty of an entity to use (and prevent the misuse) of the resources entrusted it in an effective, efficient and economical manner, within the boundaries of the moral and legal framework of the society and to provide an account of its actions to accountees who are not only the person(s) who provided it with the financial resources but to groups within society and society at large".

Critiques Between Islamic Teaching and Practice

In theory, Islamic banks are expected to be fully convergence with the *Shariah* and implement all the Islamic values in their operation, but that's have few arguments of its implementation in real world (Khan 2010b). Islamic values give high influence to the business and socio-economic of Muslims life and it's have been practice since the time of Prophet Muhammad (PBUH). Values and principles that practiced by Islam since the time of Prophet Muhammad (PBUH) 1436 years ago may serve as a foundation for notions of corporate social responsibility alike as what have been practice in Europe (Williams & Zinkin 2009). The holy *Quran* has enjoined that the economic success of business will flourish if it is underpinned by morality, *Quran* says that: "... give full measure when you measure, and weigh with a balance that is true..." (*Quran*, 17: 35). From this verse, it shows that the convergence between morality and the economic orientation of business is clear stated in the Holy *Quran*, thus Muslims are expected to practice it in their daily life.

A Hadith by Prophet *Muhammad* (PBUH) as narrated by *Abu Hurairah* stated that: "Prophet Muhammad said: Do you know who is poor? They (the companions of the Prophet) answer that: A poor man amongst us is one who has neither Dirham with him nor wealth. The Prophet explain that: The poor of my followers (*ummah*) would be he who would come on the Day of Judgement with prayers, fasts and *zakah* but he would find himself bankrupt on that day as he would have exhausted his funds of virtue since he hurled abuses upon others, brought calumny against others and unlawfully consumed the wealth of others and shed the blood of others and beat others, and his virtues would be credited to the account of one who suffered at his hands. And if his good deeds fall short to clear the account, then his sins would be entered in his account and he would be thrown in the Hell-Fire" (Sahih Muslim, No.6251).

This Hadith clearly demonstrates of how emphasis Islam places on the maintenance of social responsibility and socio economic justice to the society. Islam has clearly defined responsibilities for the individual, the corporation and the nation-state regarding to CSR issue. In Islam, features of social responsibility and justice are deeply rooted in the *Quran* and *Hadith*. A number of commandments in *Quran* and *Hadith* stipulate what must be done in order to establish socio-economic justice among the society. Such example Islam have set an obligatory payment out of income and wealth (*Zakah*) and encourage Muslims to set an endowment fund

(*Waqf*), alms and charity (*Sadaqah*), interest free loans (*Qard al Hassan*), etc to ensure socio-economic justice among the community and create a harmony community.

However, a study by (Williams & Zinkin 2009) find that there is often a difference between teaching and practice, and it must be recognised that not all of the Islamic teachings and practiced in many Islamic countries. For example, when it comes to equal treatment of women in a workplace, many Islamic countries fall short of basic standards of equality as defined by the global standards, and the issues related to basic human rights and transparency of the judicial process (Beekun and Badawi, 2005; UNDP, 2002). In addition, statistics of corruption, such provided by Transparency International, shows that Islamic countries are often high on the corruption scale. It cannot be deny that its happened due to several factor such as other socio-political factors related to the nature of government and the development of civil society, but it's still clearly shows that they are not purely practice all the CSR values as highlighted in the Holy Quran. Furthermore studies by Hofstede(2005) based on the World Values Survey show that Islamic countries tend to be more deferential to hierarchies, less equal in their treatment of women and minority groups, and less supportive of the rights of individuals in the workplace. Even these issues are almost certainly not related directly to Islam per se, but as Muslims who represent Islam to the world, they have to practice all the values as stated in the Holy Quran (Jafar, 2005)

A final possible area of difference arises in the focus on individual responsibility in Islam, an idea reinforced by the lack of priestly intermediation between Muslims and God (Allah), and the apparent recognition that the corporation is no more than a legal entity that has no responsibilities that can be separated from those of the individuals who make up the organisation (Bhatia, 2004). Nonetheless, in general, the close conformity between Islamic ethical standards in business and the universal global standards such example the UN Global Compact is very encouraging since it suggests that a discourse based on the UNGC Ten Principles and discussions of how best to develop CSR can usefully emphasise the commonalities and convergence between modern stakeholder capitalism and Islam. 'European Islam' along the lines suggested by Tariq Ramadan, who suggests that many of the habits that Muslims display are not Islamic per se, but rather are cultural traits specific to the Middle East, Africa or Asia, and "Muslims living in Europe have an opportunity to reread our religion" (Ramadan, 2004). Thus in Islamic banking perspective, it is expected that all Islamic banks who carried out the name of "Islam", implement the values and ethics which is in line with the Islamic teaching. It is their obligation to show to the world the beauty of Islam.

Conclusion

In conclusion, an argument regarding to the current Islamic banking activities deviate from the Islamic spirit, which is their implementation and practice still have no different from those conventional banking activities (Chong and Liu ,2010). Thus, a study of the current practice of Islamic banking was important to identify the holistic view of CSR in Islamic banking perspective. In this way, the correlation between theory (compliance with religious norms) and practice can be ascertained. It was also important to study if and how Islamic teachings and views have impacted upon Islamic banking activities. Islamic ethical principles provide a broader framework for CSR and it should motivate Islamic banks to actively pursue it. From the above discussion, it shows that the Islamic ethical principle has a significant influence towards CSR practice in Islamic banks. Islamic banks should also have a greater affinity to CSR because they are guided by strong religious/ethical principles and obligated to adhere to these

principles. Importantly, Islamic principles must be translated into action and actual practice in Islamic banks industry. If not, such principles and guidance would just become theoretical only.

The rapid development of Islamic banks in today's world requires an instructive examination of their CSR practices. Islamic banks should play a leading role in CSR implementation such as environmental risk management, human resource development, human rights, and community development. Therefore, it is advisable for the future study to be conducted empirically to measure the CSR disclosure level of Islamic banks, its determinants, and consequences.

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