

Corporate social responsibility of Islamic banks: Malaysian practitioners' outlook

Malaysian practitioners' outlook

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Abstract

Purpose – The purpose of this paper is to investigate Malaysian practitioners' general perspective on corporate social responsibility (CSR) of Islamic banks and their views on having a special CSR framework.

Design/methodology/approach – This study used semi-structured face-to-face interviews, which contained both qualitative and quantitative data. The study also used observation and document review to support the data drawn from the research participants whenever necessary.

Findings – In total, 34 practitioners from all 16 Islamic banks in Malaysia responded to the interview questions designed for this purpose. The results show that the majority of the research participants viewed positively that Islamic banks should have a special CSR framework.

Practical implications – The Islamic concepts of CSR will be of interest not only to academicians but also, especially, to Islamic financial institutions. This paper will also send a strong signal to regulators that they should develop and introduce an Islamic CSR framework to Islamic financial institutions, especially Islamic banks.

Originality/value – This paper contributes to the growing debate on CSR among Islamic financial institutions, especially in the Islamic banking industry, by investigating practitioners' views on having a CSR framework. In addition, to the knowledge of the authors, this is the first research that has involved Chief Executive Officers, Heads of Shari'ah, and Heads of Corporate Communications as research participants to talk about the CSR of Islamic banks.

Keywords Malaysia, Interview, Practitioners, Corporate social responsibility, Islamic banks

Paper type Research paper

1. Introduction

Being responsible for all aspects of corporate performance is the most important part of business strategic planning. Many scholars have proposed that high degrees of corporate performance can be obtained by considering corporate social responsibility (CSR) as a critical part of all top management responsibilities (Hanzaee and Sadeghian, 2014). In fact, CSR has become a well-established concept in the financial services industry, and financial institutions are beginning to accept the idea that there is more to investment than just

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checking the figures (Scholtens, 2009). As part of business entities and concurrently guided by Shari'ah principles, Islamic banks face even more expectations in performing CSR as Islamic financial institutions (IFIs).

Because of their status as financial institutions fulfilling a collective religious obligation and their exemplary position as a financial intermediary (Farook, 2007), it is assumed that Islamic banks should play an active role in executing their social responsibilities. Moreover, the CSR practices of Islamic banks should be based not only on collective religious obligation (*fardh kifayah*) and presenting a positive corporate image but also on alleviating poverty and achieving the true economic goals of Islam (Yusuf and Bahari, 2011). Usmani (2002) asserts that the philosophy underlying Islamic banking is "aimed at establishing distributive justice free from all sorts of exploitation". Furthermore, the notion of social responsibility and justice has been integral to Islamic society for more than fourteen centuries and, according to Islamic principles, business transactions can never be separated from the moral objectives of the society.

In line with the above argument, Dusuki (2005) stresses that Islamic banks should adopt CSR policies in their operations and decision making to reap a comparative advantage in competing with conventional banks, especially in dual systems in which Islamic and conventional banks co-exist, as in the case of Malaysia. Although it is a leading global hub for Islamic finance, including for Islamic banking, Malaysia has not yet devised a special CSR framework to guide Islamic banks on CSR implementation. As a result, not all Islamic banks disclose their CSR activities. As their conventional counterparts are already seen to be more prominent in initiating CSR programmes and disclosing their CSR activities, Islamic banks' corporate image may be damaged by the comparison. To begin addressing this issue, this paper investigates Malaysian practitioners' general perspective on CSR of Islamic banks.

The structure of this paper is as follows: Section 2 reviews previous studies; Section 3 explains research methodology; Section 4 analyses and discusses the general perspective of Malaysian practitioners on CSR of Islamic banks; and Section 5 concludes the paper.

2. Literature review

It is important to recognize that all types of business apply CSR initiatives to further their relationships with their customers, their employees and their community at large (McAlister *et al.*, 2005). Islamic banks are no exception, as they are also business entities. Therefore, a significant number of studies on CSR of Islamic banks can be discovered in past literature, such as the work of Dusuki (2008), Dusuki and Dar (2005); Dusuki and Dar (2007), Farook (2007); Hassan and Abdul Latiff (2009), Aribi (2009); Yusuf and Bahari (2011) and Adnan (2012). It is evident from these studies that CSR is not alien to Islamic banking and should be seen as a benefit rather than a cost, and can be used as a strategic tool to enhance the reputation of Islamic banks, while simultaneously proving to be profitable for the institutions in the long run.

In regard to the CSR framework for Islamic banks, Dusuki (2011) attempts to produce a CSR framework for Islamic finance using the pyramid of *maslahah*[1], and Rashid *et al.* (2013) develop a CSR framework based on two layers of CSR involvement in Islamic banks: commitment to Allah (s.w.t.) and commitment to other stakeholders. These two frameworks can be used as a guideline in managing ethical conflicts.

Other research focussing on corporate social responsibility disclosure (CSR), which is part of CSR initiatives of Islamic banks. Studies by Rahman *et al.* (2010), Hassan and Harahap (2010); Aribi and Gao (2010), Arshad *et al.* (2012); Masruki *et al.* (2010), Marsidi and Rahman (2012) and Amran *et al.* (2017) derive their themes of CSR from Accounting,

Auditing and Governance Standards for Islamic Financial Institutions (AAOIFI Standards), Bursa Malaysia, Malaysian Accounting Standard Board (MASB), Islamic Financial Services Board (IFSB), Bank Negara Malaysia (BNM) or prior studies. The variety of sources used in determining CSR themes implies that there is no standard and comprehensive CSR guideline especially for Islamic banks; this deficiency needs to be addressed.

A review of literature on the CSR of Islamic banks further reveals that although CSR is significant for Islamic banks as they are considered acknowledged legal entities in Islam and, consequently, are accountable for CSR (Wan Jusoh *et al.*, 2015), no standard and comprehensive CSR framework has been developed for Islamic bank best practice. Although there are many present practices in Islamic banks that are in line with notions of CSR in Islam, these seem to be merely *ad hoc* and driven more by Shari'ah legal requirements rather than by a higher-order understanding based on fundamental religious texts concerning social responsibility (Mohammed, 2007). In addition, there is no legal requirement and clear guidance on how CSR should be implemented by Islamic banks (Aribi, 2009). This situation may affect the efficient practice of CSR, even although the practitioners have a thorough understanding of CSR (Aribi and Arun, 2015; Wan Jusoh and Ibrahim, 2017). Reports suggest that selected Islamic banks are to customer-centric and efficiency-driven; in pursuing efficiency they have sacrificed Shari'ah norms (Rashid *et al.*, 2013). Undeniably, although they are governed in accordance with Shari'ah law, many Islamic banks are still using conventional frameworks of CSR based on Western cultures, values, beliefs and perspectives (Hamdan, 2014) and are thus inappropriate.

Furthermore, it is widely cited that IFIs, including Islamic banks, generally execute only part of their social responsibilities and are widely accused of having generally ensured their operational status by avoiding negative actions or impermissible activities, but only minimally performing recommended activities (Farook, 2007). It seems that most Islamic banks focus on religious and philanthropic activities, almost ignoring other CSR practices such as concern with social exclusion and human rights, environmental concerns and human resource development. Their CSR applications are therefore unbalanced.

It appears that all the above CSR imbalance symptoms are experienced by Islamic banks because there is no standard and comprehensive CSR framework. The absence of such a framework leads to various interpretations, some of which are not accurate. This may be why there are so many "versions" of CSR practices in Islamic banks, especially in Malaysia, as there is no standard framework. For example, not all Islamic banks in Malaysia disclose their CSR activities in either their annual reports or their websites (Wan Jusoh and Ibrahim, 2017).

Although there is a CSR framework for Malaysian public listed companies (PLCs) provided by Bursa Malaysia (2012), it is very general and not Islamically driven and is open to individual companies' interpretation. In addition, not all Islamic banks in Malaysia are PLCs, especially the foreign Islamic banks, and consequently, are not governed and guided by any regulations concerning CSR. Thus, a balanced and comprehensive Islamic CSR framework is required for Malaysian Islamic banks' best practices.

Accounting, Auditing and Governance Standards for Islamic Financial Institutions (AAOIFI) has given a proper guideline for IFIs in understanding and applying CSR for the benefit of their stakeholders. AAOIFI (2010) defines CSR for IFIs as "all activities carried out by an Islamic financial institution to fulfil its religious, economic, legal, ethical and discretionary responsibilities as a financial intermediary for individuals and institutions". Accordingly, it is recommended that IFIs in Malaysia use the above CSR definition. It is the most comprehensive and most suitable definition to date as it consists of all common CSR dimensions and is specifically designed for IFI practices, including religious responsibilities

such as *zakah* payment and requires Shari'ah-compliance in IFI aims, operations, business affairs and activities.

It is proven that without some form of regulatory intervention, reliance on voluntary CSR practice alone is unlikely to result in either a high quality of practice or sufficient levels of practice (Wan Jusoh and Ibrahim, 2017). As such, it is recommended that regulatory authorities standardize the concepts of social responsibility for IFIs, especially Islamic banks, based on Shari'ah principles.

3. Research methodology

The research methodology of this study will address the selection of research instruments, selection of Islamic banks, research participants, data collection and data analysis techniques.

3.1 Selection of research instruments

This study involves qualitative research. Because the objective of this paper is to investigate the general perspective of Malaysian practitioners on the CSR of Islamic banks, this study used semi-structured face-to-face interviews containing both qualitative and quantitative data. A semi-structured interview technique was chosen for this research because it allows the researcher enough flexibility to re-word the questions to fit into the interview (Denscombe, 2010). Other advantages of semi-structured interviewing are that questions may be reordered during the interview, and the interviewer may add or delete probes to interview between subsequent subjects (Berg, 2007). These enable the interviewer to capture unexpected issues and information (Barbour and Schostak, 2005). As well as interviewing, observation and document review were used whenever necessary to support the data given by the research participants. Furthermore, the data from both observation and document review can be used for qualitative research (Flick, 2006). This data triangulation method was employed to enhance the rigour and robustness of the study.

3.2 Selection of Islamic banks

Based on "corporate culture" justification, all 16 Islamic banks in Malaysia have been selected in this study as previous studies have found that corporate culture does significantly affect the CSR activities of an organization (Ali *et al.*, 2017; James, 2011; Katamba, 2010; Übius and Alas, 2009). The 16 Islamic banks are Affin Islamic Bank Berhad, Al Rajhi Banking and Investment Corporation (Malaysia) Berhad, Alliance Islamic Bank Berhad, AmIslamic Bank Berhad, Asian Finance Bank Berhad, Bank Islam Malaysia Berhad, Bank Muamalat Malaysia Berhad, CIMB Islamic Bank Berhad, HSBC Amanah Malaysia Berhad, Hong Leong Islamic Bank Berhad, Kuwait Finance House (Malaysia) Berhad, Maybank Islamic Berhad, OCBC Al-Amin Bank Berhad, Public Islamic Bank Berhad, RHB Islamic Bank Berhad and Standard Chartered Saadiq Berhad.

Thus, the data in this study were collected from the whole population of Islamic banks without using a sampling technique. The method used in this study can be considered as a "census", where all of the cases in a population have been surveyed (Walliman, 2006). It has been chosen to enhance the generalizability of the findings. Moreover, all the 16 Islamic banks have fulfilled the most essential criteria of studied organizations, that is, they are relevant to the research problem and could be accessed by the researcher (Rubin and Rubin, 2012).

3.3 Research participants

Three groups of personnel were selected as research participants in this study: Chief Executive Officers (CEO)/Managing Director (MD), Heads of *Shari'ah* (HOS) and Heads of Corporate Communications (HCC), as CSR involves a range of activities, programmes or initiatives of Islamic banks, the selection of CEO/MD as research participants is significant, as they normally have comprehensive knowledge of their institutions. The selection of HOS was made based on their essential role in ensuring all activities within their institutions are Shari'ah-compliant. The selection of HCC was made because they are directly involved in performing the CSR activities or programmes of their organizations.

The total number of research participants in this study is 34. The researcher interviewed 32 participants individually face-to-face. However, the remaining two participants were able only to give written feedback (due to their time constraints). The research participants comprised six CEOs/MDs, 14 HOS, six HCC and 8 from other positions. All research participants were from the central region, i.e. Kuala Lumpur, because all headquarters of Islamic banks are located in this region.

Overall, satisfactory responses were received from the interviewees. Useful and valuable comments, suggestions and recommendations were obtained. The interviews ranged from 30 to 90 min. The conversations during face-to-face interviews were recorded using an audio recorder (except for one participant reluctant to be recorded for personal reasons). [Table I](#) provides a breakdown of research participants by position, institution and working experience.

3.4 Data collection

Data was collected through a combination of closed- and open-ended, semi-structured face-to-face interviews. The interviews were conducted at the offices of the research participants in their respective locations. This empirical work was carried out between 1 May 2014 and 10 September 2014. Intensive preparation and planning for the work was carried out. This included making a planner, reviewing the interview questions, and contacting research participants. Every communication with the research participants or "gatekeepers" either via tele-conversation or e-mail was documented in an interview log to have a systematic tracing of work. Once email addresses were obtained, interview scripts and certification letters from the faculty were sent either directly to the research participants or through their personal assistants. Islamic banks' annual reports and websites were consulted extensively before interviewing each research participant to fully equip the researchers with knowledge of the respective institution's background and to assist them to focus on significant CSR activities for further elaboration during the interview. Writing up the transcript was conducted in the same language as the interviews. In the case where research participants used Malay, the researchers translated the documents into English.

The observation work was carried out from 13 April 2012, when the pilot study started, until the last day of interviews, on 10 September 2014. Among Islamic banks' CSR activities that have been observed for this research were a community activity[2], employee activity[3] and environmental activity[4]. To support the interview data, annual reports and websites, and any media used to disclose the Islamic banks' CSR activities, such as media releases, internal bulletins and external bulletins, were reviewed. This document review functioned as a complementary technique to triangulate the data collection ([Mohd Tobi, 2012](#)).

3.5 Data analysis techniques

Two types of data were generated from structured and semi-structured interviews: quantitative and qualitative data. The quantitative data, especially the answers from the

Research participant (RP) No.	Group	Islamic bank (IB)	Years in banking sector	Years in current position
RP1	Chief Executive Officer/ Managing Director	IB5	15 years and above	6-10 years
RP2		IB7	5 – less than 10 years	1-5 years
RP3		IB8	15 years and above	6-10 years
RP4		IB9	15 years and above	1-5 years
RP5		IB16	15 years and above	1-5 years
RP6		IB15	15 years and above	1-5 years
RP7	Head of Shariah	IB1	5 – less than 10 years	1-5 years
RP8		IB2	10 – less than 15 years	Less than 1 year
RP9		IB3	5 – less than 10 years	1-5 years
RP10		IB4	10 – less than 15 years	6 – 10 years
RP11		IB6	10 – less than 15 years	1-5 years
RP12		IB8	15 years and above	6 – 10 years
RP13		IB9	5 – less than 10 years	1 – 5 years
RP14		IB10	5 – less than 10 years	Less than 1 year
RP15		IB11	15 years and above	1-5 years
RP16		IB12	5 – less than 10 years	1-5 years
RP17		IB13	15 years and above	1 – 5 years
RP18		IB14	15 years and above	1 – 5 years
RP19		IB15	15 years and above	More than 10 years
RP20		IB16	5 – less than 10 years	1 – 5 years
RP21	Head of Corporate Communications	IB2	15 years and above	1 – 5 years
RP22		IB7	5 – less than 10 years	Less than 1 year
RP23		IB8	15 years and above	1 – 5 years
RP24		IB11	10 – less than 15 years	1 – 5 years
RP25		IB13	15 years and above	6 – 10 years
RP26		IB16	15 years and above	1 – 5 years
	<i>Others</i>			
RP27	Chief Operating Officer	IB2	15 years and above	6 – 10 years
RP28	Group CSR Manager	IB4	15 years and above	1 – 5 years
RP29	Shariah Executive	IB5	5 – less than 10 years	1 – 5 years
RP30	Deputy Manager, Corporate Responsibility	IB6	5 – less than 10 years	6 – 10 years
RP31	Head of Section, Wakaf Management and Secretariat	IB7	15 years and above	1 – 5 years
RP32	Group Head of Corporate Affairs	IB9	5 – less than 10 years	1 – 5 years
RP33	Senior Manager	IB14	15 years and above	1 – 5 years
RP34	Senior Manager, Corporate Communications (Group)	IB14	15 years and above	More than 10 years

Table I.
List of research
participants

close-ended questions, were analyzed using the Statistical Package for Social Sciences (SPSS) for descriptive analysis[5]. The analysis was conducted through the following steps:

- Coding the variables in the questionnaires.
- Setting the variable in the SPSS.
- Inserting the code number of the variable into the SPSS.
- Cleaning data by checking its frequency and comparing between different related questions.
- Expanding the “other” answers by adding variables to certain questions.
- Describing data using univariate distributions with frequency tables and figures.

Unstructured interview data cannot be analyzed statistically. In analysing the unstructured interview data, the researchers attempted to first identify the common themes in the recorded interviews. This task was not a major problem, as the interviews were based on a standardized format. A frequency count was then done simply to note the same or closely related answers. Significant comments and recommendations were noted to support and elaborate on the findings. A few quotations that illustrate certain CSR applications were highlighted to support certain claims and conclusions to enhance the findings' credibility, as first-hand evidence is stronger than indirect evidence (Rubin and Rubin, 2012).

4. Results and discussion

The total number of research participants in this study is 34. The research participants comprised six Chief Executive Officers/Managing Directors, 14 Heads of Shari'ah, six Heads of Corporate Communications, and eight from other positions[6]. All research participants were from the central region, i.e. Kuala Lumpur, in which all headquarters of Islamic banks are located. Overall, satisfactory responses were received from the research participants.

Four questions were asked to obtain the general perception of Islamic banks' practitioners:

- Q1. What is your understanding about CSR?
- Q2. In your opinion, what are the reasons that move your institution to adopt CSR practices?
- Q3. What do you think about having a special CSR framework for Islamic banks?
- Q4. Does your institution have any guidelines and policy on CSR?

The first question is a multiple-choice question with four options: totally recommended, totally obligatory, a combination of obligatory and recommended programmes and others. This question seeks to research participants' opinions of CSR in terms of corporate obligation. This multiple-choice question aimed at directing the participants to the intended answers and preventing them from giving irrelevant feedback. It is interesting to note that a majority of 58.8 per cent of research participants viewed that CSR is a combination of obligatory and recommended programmes (Table II). The result seems to indicate that the majority of research participants agree with the suggestion that Islamic banks must comply with some mandatory guidelines that are fundamental to their existence as Islamic banks (mandatory), while it is recommended that they undertake voluntary activities if it is within their capacity (Farook, 2007). This result is also consistent with the CSR classification in

AAOIFI Standards (2010) that categorizes CSR applications into obligatory and recommended programmes.

The second question measures the research participants' perception of how important certain reasons are to institutions adopting CSR practices. In this question, participants were required to rate the reasons on a scale from 1 to 5 (1 = least important, 5 = very important). They were given 11 motives to rate: promotes long-term profits, top management awareness, the ethical motivation of top management, promote corporate image, accountability, pressure from the public, indirect pressure from the government, genuine philanthropy, tax deduction, legal requirements and greater employee satisfaction. This question was formulated to investigate the relative importance of reasons for adopting CSR among Islamic banks in Malaysia. The total score given by all research participants for each motive is shown in the following Pareto chart (Figure 1).

The Pareto chart above shows clearly that the first eight reasons, which accounted for 88.7 per cent, significantly influence the Islamic banks in Malaysia in performing CSR. The reasons are "promote corporate image", "top management awareness", "ethical motivation of top management", "genuine philanthropy", "accountability", "greater employee satisfaction", "promote long-term profits" and "tax deduction". These results are in agreement with those obtained by Abdul Rashid and Ibrahim (2002) with regards to "promote corporate image" and "promote long-term profits" factors. The remaining three reasons ("legal requirements", "pressure from the public" and "indirect pressure from the government") accounted for 11.3 per cent frequency of occurrences and are reported as not significant reasons.

Table II.
Understanding on
CSR

Response	No. of research participants	Percentage (%)
Totally obligatory programmes	3	8.8
Totally recommended programmes	9	26.5
A combination of obligatory and recommended programmes	20	58.8
Others	2	5.9

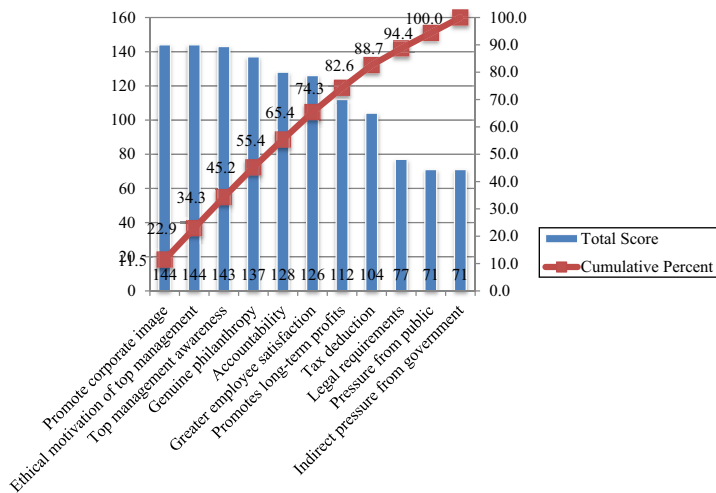


Figure 1.
Reasons for adopting
CSR practices

The above result could be interpreted to mean that both strategic motives (promote corporate image, greater employee satisfaction, promotes long-term profits and tax deduction) and moral motives (top management awareness, ethical motivation of top management, genuine philanthropy, and accountability) do influence management's involvement in CSR efforts (Graafland and Van de Ven, 2006). On the other hand, coercion motives (legal requirements, pressure from the public, and indirect pressure from the government) do not significantly influence the institutions in the case of Islamic banks in Malaysia. It is not a surprising result, as there is no special CSR framework for Islamic banks thus far that could exert direct pressure on them legally. The lack of public pressure motive could be explained by the nature of the banking business, which, unlike industrial firms, functions as a financial intermediary that is not directly involved with environmental issues (Darus *et al.*, 2013).

Although the above result indirectly shows that generally Islamic banks in Malaysia have a necessary awareness of CSR, it does not mean that they have satisfactorily carried it out. Based on the observation and document review conducted on the Malaysian Islamic banks' CSRD in their websites and annual reports, it is clear that many Islamic subsidiaries' CSR activities have been dominated by their parent companies, which are mainly conventional banks. Moreover, the focus of many foreign Islamic banks' CSRD is more on the CSR activities implemented by the banks' original country, ignoring CSR activities that have and should be done by their subsidiaries in Malaysia. This situation demonstrates that a special CSR framework is still needed to systematically guide Islamic banks in Malaysia on obligatory CSR programmes and move forward in Islamic CSR strategic planning.

The third research question seeks to ascertain research participants' opinions regarding a special CSR framework for Islamic banks. This is important to see the extent of how significant is the CSR framework to Islamic banks from the practitioners' point of view, whether they agree or not about having a special CSR framework. Research participants were asked to elaborate on the reason/s for their answers. It is significant to highlight that the majority of the research participants (76.5 per cent) considered that Islamic banks should have a special CSR framework for various reasons (Table III).

The most common justification given by these research participants was that the special CSR framework would be able to guide Islamic banks in implementing CSR. In fact, RP11, the Head of *Shari'ah* Department of IB6, stressed that CSR should be treated similarly to risk management and corporate governance. A special CSR framework for Islamic banks is needed to guide them in executing CSR programmes:

The framework will function as a guide for the bank to have a consistent CSR [...] CSR should be treated equally with risk management, corporate governance as a responsible corporate institution [...]. So may be, when the new management comes who do not see the necessity of *khidmat al-ummah* [society service], may be they will not do (CSR). But, when the thing have become CSR and later there is framework and later there is element of annual assessment, element of achievement and so on, element of reporting of the CSR. A corporate entity, by having this framework it will guide the bank in performing CSR activities (RP11).

Table III.
Opinions on having
special CSR
framework

Response	No. of research participants	Percentage (%)
Agree	26	76.5
Not agree	7	20.6
Not sure	1	2.9

RP5, the Managing Director of IB16, shared this opinion by saying that a special CSR framework is needed as a form of guidance for Islamic banks. In this regard, his Head of Shari'ah Department, RP20, also coincidentally supported the same idea:

[...]. Because the CSR framework need to be structured. Because we don't want the money just simply come and go like that. So that, there is a proper structure (framework) in terms of giving out the money, whose the target recipient, target segment [...]. The proper process flow will make it more structured and organized (RP20).

RP15, the Head of Shari'ah Department of IB11, who also responded positively, was of the opinion that a special CSR framework is able to standardize and promote CSR practices:

[...]. So, if we have it [having special CSR framework], first, we can standardize, we can promote. I am a Chairman to the Shari'ah Governance Committee of AIBIM, Association of Islamic Bank Malaysia. So, if we do not have like framework, [it wil] depend on the individual bank. If let's say like Bank A, [...]. Its CEO is ok [...]. [So, it will be] Ok lah. Nice. But, if other bank like Bank XYZ, its CEO is 50/50 [about CSR], "God, what is this?" [...]. So, there will be good [Islamic] banks, [and] there will be Islamic banks which are just so-so. So, if there is a framework, we can standardize [CSR practices]. Because this has not become a mandatory yet. So, it depends on the individual bank (RP15).

Based on his experience as Head of Shari'ah with practical knowledge of the Shari'ah governance of Islamic banks, RP15's statement indicates a crucial need for a special CSR framework for Islamic banks.

These findings from the interviews are in accord with recent studies indicating that most of the existing guidelines on the CSR management process are based on the conventional concept of CSR informed by Western cultures, values, beliefs and perspectives. The terms of these guidelines differ between different contextual settings (Abu Bakar and Md Yusof, 2016; Hamdan, 2014), as the CSR management process is particular to individual companies, who therefore practise different CSR strategies and approaches (Argandoña and von Weltzien Hoivik, 2009; Hanke and Stark, 2009). This is consistent with the view of Khir *et al.* (2008) that stakeholders of Islamic banks perceive the notion of CSR of these banks as different from the conventional notion. Accordingly, it is reasonable that Islamic banks should have their own CSR framework, fully guided by Islamic laws and principles; this is in agreement with the standpoint of Darus *et al.* (2013).

Islamic banks' requirement to always be guided by Islamic laws and principles in their operations and services distinguishes their corporate governance from that of conventional banks (Ghayad, 2008; Skully, 2011; Suleiman, 2000). As Akhtar (2006, p. 2) explains, the uniqueness of corporate governance for IFIs stems from two principle elements: first, a faith-based approach that mandates the conduct of the business in accordance with Shariah principles and, second, a profit-motive that recognizes business and investment transactions and maximization of shareholder's wealth. Thus, religious compliance is certainly a key difference (Skully, 2011).

The remaining 20.6 per cent of research participants who were negative about a special CSR framework had their own reasons for their responses. Among those who did not agree with the idea of having a special CSR framework for Islamic banks was RP1, the Chief Executive Officer of IB5. He argued that CSR has to be automatic to gain Allah's blessings:

I don't believe in framework. Because this one you have to give in good faith. The moment you do it because you want to win an award, [or] because you are the most responsible corporate citizen in Malaysia, if that is your intention to go and take award, it will never be blessed. If your intention is you want to give corporate [CSR], it is a responsibility because you have done well. You want to make sure you are able to share the wealth with the majority of your people. That is Islam [...]. It has to be automatic. No need for a framework (RP1).

Undeniably, doing good, as in this case of upholding CSR, must be done out of sincerity. However, it has to be borne in mind that not all the policymakers of Islamic banks, especially the CEOs or MDs, are enthusiastic about practising CSR. To counteract this reluctance and to encourage the Islamic banks to do good and not to take CSR for granted, a special framework is needed.

Another negative view, from a Chief Executive Officer of IB15, was that CSR of Islamic banks and conventional banks are the same, as both of them practise CSR and CSR must be done out of sincerity:

I don't think we should have a special framework for Islamic banks, because it should be as long as the CSR framework for the banking sector per se. Then, conventional and Islamic both have to do what they have to do. Now, why would you need something specific for Islamic because at the end of the day, from an Islamic perspective whatever you do in CSR activities as an Islamic bank, you always have to comply with the requirement of Shari'ah [. . .]. You cannot [do] this [special CSR framework] you know [. . .] charity or you know giving back to society has to come from the heart (RP6).

Irrefutably, the general idea of practising CSR is the same in either conventional or Islamic banks, which is to do good things for the benefit of their stakeholders. Nevertheless, there is an extra requirement that needs to be fulfilled by Islamic entities like Islamic banks which their conventional counterparts do not have to fulfil: religious responsibility. Consequently, proper guidance is critically needed for Islamic banks to apply CSR activities in their institutions in ways that ensure that everything done complies with Shari'ah. That is why a special CSR framework is required for this matter.

The Head of Shari'ah of IB5 shared the view of RP6 in this matter. However, the reason behind this view was different, which is that a CSR framework is already embedded in IB5's constitution:

I think the only difference in the Islamic banking, we have to comply with certain Shari'ah requirement. And those requirements basically are built-in into our constitution [. . .] our manual and so on. So, basically, that's the only difference and that being the only difference I don't see that there's a need for actually a different framework (RP19).

Although, as RP19 mentions, requirements pertaining to Shari'ah are built into their constitution, Islamic banks still need certain guidance on how to strategize their CSR activities appropriately and simultaneously disclose their CSR activities efficiently. Participants who viewed CSR as already embedded in their institution through their Group CSR framework, especially for subsidiaries of conventional banks, reported that their CSR framework is general and fails to address one of the important responsibility: religious responsibility. Clearly, this finding indicates the significant need for a CSR framework for Islamic banks. Moreover, based on document review and observation, it is evident that some Islamic banks still do not disclose their CSR activities regularly either in their annual reports or official websites. This deficiency occurs because there are no CSR guidelines.

The last question was formulated to acquire information regarding the existence of CSR guidelines or policies in each Islamic bank. In response, 82.4 per cent of research participants stated that their institutions have some sort of guideline or policy on CSR (Table IV). This is not a surprising finding, as all local Islamic banks in Malaysia are subsidiaries of Public Listed Companies (PLCs). As subsidiaries of PLCs, they are also bound to the Bursa Malaysia Listing Requirements that requires them to disclose their CSR activities (Bursa Malaysia, 2014). However, based on the conversation with the research participants, it appears that only stand-alone Islamic banks have their own CSR guidelines or policy; by contrast, the CSR activities of Islamic subsidiaries are guided by the bank's Group guidelines and policy, which is unlikely to be Islamically driven.

This happens to Islamic subsidiaries because until now there has been no special CSR framework for Islamic banks. This justification indirectly strengthens the earlier finding in the second question, that legal requirements do not substantially influence the Islamic banks in Malaysia in implementing their CSR.

Following the main question, there is a sub-question asked to identify the basis of the CSR guidelines or policy used. It can be seen from the data in [Table V](#) that, generally, Islamic banks in Malaysia can be divided into three main groups in terms of CSR: the first group employs “Bursa Malaysia CSR Framework” only (32.4 per cent); the second group employs “Bursa Malaysia CSR Framework” and the institution’s own framework (32.4 per cent); and the third group employs the “institution’s own framework” (17.6 per cent). The variety of CSR bases used implies the critical need for Islamic banks to have a special CSR framework, as many of the banks are still using conventional, Western-oriented frameworks of CSR ([Hamdan, 2014](#)); a special CSR framework for Islamic banks would provide useful guidelines. Moreover, a standard CSR framework would also benefit stakeholders by making annual reports more consistent and comparable ([Ahmad et al., 2003](#)), and would enable them to significantly assess the non-financial impacts of CSR activities ([Ackers and Eccles, 2015](#)).

5. Conclusion, limitation and future research

Evidenced by the analysis of interview responses, the mainstream of Malaysian practitioners agreed that CSR is a combination of obligatory and recommended programmes. Even though there is a necessary awareness signal on CSR among the Islamic banks, the majority of the research participants saw that they are lacking clear guidance in CSR application, and the existing CSR guidelines are not comprehensively Islamic. The various bases of CSR adopted by Islamic banks in planning and strategizing their CSR activities and initiatives also imply the essential need for Islamic banks to have an Islamic CSR standard, code or guideline that is able to steer them systematically and effectively for the growth of Islamic banks and the interests of their stakeholders.

Certain limitations in this study need to be acknowledged. Although the researchers managed to interview a significant number of research participants representing all Islamic banks in Malaysia, each Islamic bank was not, for various reasons, represented by the same

Table IV.
Having guideline or policy on CSR

Response	No. of research participants	Percentage (%)
Yes	28	82.4
No	2	5.9
Not sure	4	11.8

Table V.
Basis of CSR guideline or policy

Response	No. of research participants	Percentage (%)
Bursa Malaysia CSR Framework	11	32.4
Institutions own framework	6	17.6
Bursa Malaysia CSR Framework and the institution’s framework	11	32.4
Not applicable	2	5.9
Not sure	4	11.8

number of required participants. There were only six Islamic banks represented by three required research participants; the remaining 10 Islamic banks were represented either by two or by only one research participant. As a result, a comparison between CSR applications implemented by stand-alone Islamic banks and Islamic subsidiaries could not be done. In future research, a comparative study between stand-alone Islamic banks and Islamic subsidiaries or between local Islamic banks and foreign Islamic banks can be conducted. This would reveal whether there are any internal and external factors that influence the differences and similarities of CSR initiatives between them.

Notes

1. *Maslahah* means the protection of interests outlined by the Shari'ah. It can be divided into three categories, namely *al-dharuriyyah* (the essentials), *al-hajiyah* (the complementary) and *al-tahsiniyyah* (the embellishments). The bottom level, which is represented by the essentials (*al-dharuriyyah*), constitutes the most fundamental responsibility to be fulfilled as compared to the other two categories, namely the complementary (*al-hajiyah*) and the embellishments (*al-tahsiniyyah*). This is the pyramid of *maslahah* meant referred to by [Dusuki \(2011\)](#).
2. Among the activities were religious talk by Imam Muda Hassan titled "Dunia di Tanganku, Syurga di Hatiku" to Universiti Teknologi MARA (Terengganu) staff on 5 September 2013, and "Islamic Property – Islamic Financial Management Workshop" to Universiti Teknologi MARA (Terengganu) staff and students on 21 August 2014. All those CSR activities were done by Bank Islam Malaysia Berhad.
3. Among the activities were *Zuhr* congregational prayer with Muslim staff performed by Bank Muamalat Malaysia Berhad, Menara Bumiputra, Kuala Lumpur on 3 July 2014 and religious talk to Muslim staff during *Ramadhan* which was performed by Kuwait Finance House, Menara Prestige, Kuala Lumpur on 10 July 2014.
4. Among the activities or initiatives were beach cleaning at Pantai Teluk Gadung, Dungun, Terengganu on 13 April 2012 which was initiated by Bank Islam Malaysia Berhad, saving electricity notice initiated by CIMB, Menara Bumiputra-Commerce, Kuala Lumpur, observed on 20 June 2014, "Go Green Program – Toner Recycle Bin" which is a joined programme between RHB and HP observed on 10 September 2014.
5. Although SPSS is commonly used for quantitative research, this software also can be used to manage data collected from interviews in qualitative research ([Pallant, 2001](#)).
6. Although originally there were only three targeted group of participants for this research (Chief Executive Officers, Heads of Shari'ah, and Heads of Corporate Communications), due to the targeted participants' time constraints or in the case of certain Islamic banks that do not have these positions, an alternative with the same credibility was interviewed. These research participants have been grouped under "Others" category.

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