

Social disclosure: compliance of Islamic banks to governance standards No. 7 of AAOIFI (2010)

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1427

Received 2 December 2018
Revised 18 June 2019
Accepted 21 July 2019

Abstract

Purpose – This paper aims to investigate the compliance of Islamic banks (IBs) with the AAOIFI standard No. 7, in Middle East and North Africa area during the period 2010-2014. The authors seek to identify, among the 15 countries and 72 banks, those which conform more to this standard. The level of compliance is expected to be more stringent in countries where AAOIFI standards are made mandatory.

Design/methodology/approach – The paper uses the unweighted disclosure method which measures the corporate social report disclosure (CSR) score of a bank as additive. Each country and bank are assessed according to two obligatory and voluntary CSRDs.

Findings – The empirical results indicate that even though the global disclosure index has been improved over the observation period, it has remained relatively low. The results also allowed us to see that the global, mandatory and voluntary societal disclosures vary according to the country and banks. Further, it has been seen that banks allow more attention to the mandatory disclosure recommendations of AAOIFI Governance Standard No. 7, in comparison with the voluntary CSRD.

Research limitations/implications – One limitation of this study is that the sample is restricted to only the Islamic banking sector. Future research could include other Islamic financial institutions (IFIs) such as insurance companies. Second, the study could be extended to other countries to better control the religious system and cultural effects. Because in our modern era, traditional laws in the Muslim world have been widely replaced by statutes inspired by European models, the authors suggest then to apply a new classification that separates, for instance, countries that rely on an Islamic model from those with a western model, and national banks from those allied with western banks. Finally, the paper's data collection relies solely on annual reports and does not include publications from bank sites. Future research could consider all these limitations. Another possible avenue could examine the determinants of such disclosure level.

Practical implications – Almost no study has been limited to the text of the AOIFFI. This detail is important for some countries where the AAOIFI standards are mandatory.

Social implications – The findings may be of interest to shareholders and all those who deal with IBs that have religious expectations.

Originality/value – Despite the fact that most studies investigated compliance of IB Sharia law, almost no study has been limited to the text of the AOIFFI. This detail is important for some countries where the AAOIFI standards are mandatory. The findings may be of interest to shareholders and all those who deal with IBs that have religious expectations.

Keywords Islamic banks, AAOIFI, Social accountability, CSRD

Paper type Literature review



1. Introduction

Islamic Banks (IBs) are supposed to have an ethical and social identity emanating from its ideology. From an Islamic perspective, God is only one ultimate creator, and human beings are “trustees” in this world. This quality of vice regency implies total submission to God’s will and following the religious teachings in all aspects of life. Everyone is accountable to God with respect to his responsibility toward society (Haniffa and Cooke, 2002).

Corporate social responsibility (CSR) practices are mainly introduced to provide justice to society (Gray *et al.*, 1987). The notion of social responsibility is not foreign to Islamic principles. Then, IBs are expected to disclose more information to their customers about their activities and their compliance with Islamic principles. A number of scholarly publications related to CSR disclosure (CSR D) have so far been conducted (Baydoun and Willett, 2000; Lewis, 2001; Maali *et al.*, 2006; Haniffa and Hudaib, 2007; Abdul Rahman *et al.*, 2010; Hassan and Harahap, 2010; Aribi and Gao, 2012). To explore the extent of social reporting by IBs, they developed a benchmark based on an Islamic perspective of accountability, social justice and ownership. All the above-mentioned studies are by no means exhaustive and do not distinguish between mandatory and voluntary disclosures.

In 2010, to encourage IBs to disclose more information related to CSR activities, the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), which was established in Bahrain in 1990, updated the governance standards by introducing Standard No.7 related to CSR D [1]. CSR is defined then as “all activities carried out by an IFI to fulfil its religious, economic, legal, ethical and discretionary accountabilities as financial intermediaries for individuals and institutions” [2]. The responsibilities under this standard are divided between mandatory and recommended conduct. Within mandatory conduct, there are specific responsibilities which an Islamic financial institution (IFI) must carry out, while there is guidance on the discretionary methods by which these specific responsibilities may be carried out.

The AAOIFI initiative came probably as a result of an awareness of the widening range of corporate responsibility, from an essentially economic-financial responsibility to a so-called “societal responsibility” (Bowen, 1953; Goyder, 1961). It probably came as a result of this new mode of responsibility characterising the 2000s and the profound changes that affected the world in general. It also emanated from the publication, in June 2000, of the first edition of Global Reporting Initiative (GRI) guidelines [3]. Some even associated it with the various regulatory measures adopted in Europe by the European Commission and with the general trend in several European Union countries shifting the area of CSR from self-regulation to regulatory obligations.

In the Islamic world, research shows that practices of the international financial institutions with regard to CSR vary considerably, and this activity is often poorly understood. Certainly, in the conventional literature devoted to enterprises, the notion of social responsibility and its disclosure appeared only in the 1960s. By this standard, the AAOIFI wanted to show that the latter’s origins were older and even went back to the sacred texts of the Koran. The core foundations of CSR are the same as the foundations of individual social responsibility of each Muslim to enjoin right and to forbid wrong. However, because they are a collective religious obligations (Fard Kifayah), the definition of right and wrong are sometimes different from those applicable to individuals. The classification between mandatory and recommended behavior is based on the principle of not imposing responsibilities on individuals by Allah that are greater than what they can endure [4].

To the best of our knowledge, compliance with AAOIFI Standard No.7 has been subject of little previous research. We note only two studies (Farag *et al.*, 2014; El Halaby and Hussainey, 2015) have considered the former standards.

The present study differs from the latter in two respects. First, as related to the CSR index, while both studies set index as a combination of items from previous studies and the Governance Standard No.7, our index is considered as a strictly the adaptation of Standard No. 7 of AAOIFI (Section 6 where disclosure is classified as mandatory vs voluntary). Second, related to the context and period, both studies were conducted in different countries across the world, 25 during one year in Halabi *et al.* (2015) and 13 countries during two years in Farag *et al.* (2014). However, our study of CSR related to IB is performed in the context of the Middle East and North Africa (MENA) area, using longitudinal data over the period 2010-2014. The reason for confining our scope to IBs in the MENA region is interesting. Even if all the 15 countries considered in the sample are Muslim ones, they have a different practice system and a different socio-economic structure. As a consequence, we expect from countries like Bahrain, Qatar, Oman, Sudan and Syria, where accounting standards developed previously by AAOIFI, to be mandatory to comply more with the governance and ethical standards suggested by the AAOIFI.

On a managerial level, to interact with their stakeholders in a way which facilitates the challenges of different views and to construct a positive Islamic image, IBs need to disclose all information necessary to their stakeholders about their operations, even if such information is adverse to their interest (Maali *et al.*, 2006). Then, we expect managers to comply with the standards of the AAOIFI.

The study can contribute to the industry and regulatory policies by ensuring that appropriate disclosures are undertaken by the respective IBs, especially in compliance with the AAOIFI standards and guidelines. It contributes to all the stakeholders concerned with IBs' social disclosures.

Our paper is organised as follows: Section 2 discusses the literature review, Section 3 addresses the sample selection and research methodology, Section 4 presents the results and discusses the findings and Section 5, ultimately, summarises the whole and concludes the paper.

2. Literature review

2.1 Disclosure and accountability from an Islamic context

In an Islamic context, the Islamic perspective of disclosure is based on two general requirements of Islamic accounting: the concept of social accountability and the full disclosure concept (Baydoun and Willett, 1997, 2000; Haniffa and Cooke, 2002; Haniffa and Hudaib, 2002).

The concept of the unity of God is important in Islam. The belief that there is only one sole Creator lord and judge of the world leads to the notion that He has absolute ownership and human beings are merely "trustees" in this world. This implies that each Muslim is accountable to God for everything that he/she does (Maali *et al.*, 2006) and will be held responsible for his/her actions in the hereafter (Baydoun and Willett, 1997). The notion that everyone is accountable gives a different dimension to the concept of accountability intrinsic to western theories of social reporting (El Halaby and Hussainey, 2015).

Thus, in Islam, accountability to God includes accountability to society and environment. Therefore, within this framework, companies are accountable to society (Baydoun and Willett, 1997), and as such, they should disclose information which can help discharge this accountability. Farook (2008) argued that the organisations were not only responsible to God in the Doomsday, but had to demonstrate their responsibility to God by being

responsible for their actions to their stakeholders. The organisations are accountable to stakeholders, who, in turn, will be responsible for their investments, spending times and resources.

The social accountability concept in Islam has resulted in the concept of full disclosure, where the community has the right to know how organisations, that are part of the *Umma*, affect its well-being (Baydoun and Willett, 1997; Maali *et al.*, 2006).

The implication of this position is that Islamic businesses should disclose all information necessary to advise the Islamic community about their operations, even if such information would work against the firm itself. Haniffa and Hudaib (2002) argued that:

[...] the full disclosure of relevant and reliable information should assist external users in making both economic and religious decisions, in addition to assisting management in fulfilling their accountability to God and society.

2.2 Previous research on corporate social responsibility disclosure

A number of studies have surveyed CSR reporting of IBs. For instance, Maali *et al.* (2006) investigated the extent of social activities disclosed by IBs. Using the content analysis method, they measured the levels of CSR of 29 IBs in 16 countries. Their results demonstrated that the extent of social disclosure by IBs was well below their expectation (mean level 13.3 per cent).

Haniffa and Hudaib (2007) investigated the disclosure of information deemed crucial to Islamic ethics in business. They found a significant gap between the communicated and ideal ethical disclosure in the annual reports of a sample of seven IBs over a three-year period (2002-2004). The three-year mean ethical identity index (EII) for each bank ranging from 0.16 to 0.65 with extreme values corresponded, respectively, to those of Al-Rajhi Bank and Bahrain IB. The index of each bank was found to vary as well across the three-year period, suggesting that communication was not static and often minimal.

Hassan and Harahap (2010) carried out a similar study to Haniffa and Hudaib (2007) focusing on the disclosure of social activities in the annual reports of seven IBs from seven countries. They found that IBs put little effort into disclosing their CSR activities.

Aribi and Gao (2010) examined the influences of Islam on CSR by looking at the annual reports of 21 conventional financial institutions (CFIs) and 21 IFIs operating in the Gulf region. They found significant differences at the level of the disclosure between these two categories of financial institutions (FIs). Two years later, Aribi and Gao (2012) analysed the narrative disclosures of CSR in these 21 IFIs operating in the Gulf countries. They found that the main CSR was the disclosure within the reports of the Sharia Supervisory Board.

Abdul Rahman *et al.* (2010), however, examined the trends of CSR of Bank Islam Malaysia Berhad (BIMB) from 1992 to 2005 and found that the volume and quality of CSR had increased over the 14-year study period.

Farook *et al.* (2011) operated an empirical analysis related to the level of social disclosure (SD) over 47 IBs annual reports from 14 countries based on a CSR benchmark derived from the Maali *et al.* (2006) index. They concluded to a poor level of CSR of 16.8 per cent. Similarly, Zubairu *et al.* (2011) examined SD practices in four Saudi Arabia IBs using the same model as Haniffa and Hudaib (2007) and concluded to the same low volume of societal information.

Further, Belal *et al.* (2015) adopted a longitudinal study from 1983 to 2010 to examine the relation of Bangladeshi IB performance with CSR. The average level of CSR related to these banks was 42 per cent.

Overall, most of this first category of studies, which tented to examine the gaps between the level of disclosure and an ideal benchmark drawn from Sharia-based *CSR* objectives, have generally found a gap between communicated disclosures and ideal disclosures. This is most probably due to the fact that there were no laws or standards which required from these IBs to reveal SD.

The second category of studies came after the AAOIFI publication in 2010 of the governance standards for IFIs (Frag *et al.*, 2014 and El Halaby and Hussainey, 2015).

Both studies constructed a comprehensive index created from previous *CSR*D studies of IBs and recommendations from the AAOIFI Standard No. 7.

Frag *et al.* (2014) examined 90 IBs across 13 countries (eight from MENA, four from Asia and one from the UK) over the period 2010-2011. Their *CSR*D index consisted of 84 items related to ten dimensions taken from Haniffa and Hudaib (2007) and Maali *et al.* (2006)[5] and re-allocated according to the AAOIFI recommendation between mandatory and voluntary.

However, El Halaby and Hussainey (2015) examined 138 IBs across 25 countries (16 from MENA, seven from Asia and one from the UK). Their *CSR*D index was made of 95 items related to 12 dimensions. Although their sample appeared to be larger, the study was conducted over a year in 2013, and the disclosure was evaluated without reference to whether it was mandatory or voluntary. It was also noted that their referential of the AAOIFI was related to the example of disclosure format given in the Annex of the text and their disclosure index has been modified, as it has been the case with Frag *et al.* (2014), to integrate items from Besar *et al.* (2009) Haniffa and Hudaib (2007) and Maali *et al.* (2006).

The level of *CSR*D on average was 44.3 and 26 per cent. The difference may be attributed to the discrepancy in sample and period, but most importantly, to the selected items 84 vs 95, those related to particular Sharia principles and those generally expected in conventional banks. However, it should be emphasised that for El Halaby and Hussainey (2015), there is some doubt about the number of items considered, as in Table III, it is specified that the results are relative to 33 items. Obviously, it was a black box, and as such, the difference between the two studies could not be explained.

Our study differs from the previous ones with regard to two methodological points. We conducted a longitudinal analysis for five years in the MENA region, and we tried to build an analytical instrument which constituted a strict adaptation of the standard of AAOIFI No.7 to identify the type (mandatory/voluntary) and the extent of *CSR*D.

3. Measuring compliance

3.1 The sample and data

Data is derived from the annual reports of Islamic banking in the MENA region over five years (2010-2014). We confine our scope to IBs in the MENA region because of the lack of empirical research in this area, and because these countries have different socio-economic structure.

We use Bankscope databases for the sample selection. In total, 92 IBs with 100 per cent Sharia-compliant assets are selected. But, for the sake of consistency in our sample, we eliminate inconsistent and incomplete observations which are not available for the entire period of study, and banks that have only published the financial statements have been excluded as well. Therefore, our study sample is made of 72 IBs from 15 countries, namely, Algeria, Bahrain, Egypt, Iran, Iraq, Jordan, Kuwait, Palestine, Qatar, Saudi Arabia, Syria, Sudan, Turkey, Tunisia and UAE. The data set is hand-collected from the annual reports.

3.2 Methodology: construction of the disclosure index

To examine the compliance with SD based on AAOIFI Standard No. 7, we construct an index. This instrument of analysis is constructed from a set of items classified into categories for which we have calculated a score.

3.2.1 Selection of items. The major task of this study is the selection of items to be included in the scoring sheet. A broad-based approach is undertaken in the selection of items to be included in the analytical instrument. The choice of the first set of items classified into categories is based on the recommendations of AAOIFI Governance Standard No. 7. The reading of this later standard proposes 11 categories of societal information[6]. The categories are classified into two fields. Certain categories are part of the mandatory societal disclosure such as: screening and dealing responsibly with clients, earnings and expenditure prohibited by Sharia, employee welfare and zakat. Other categories such as disclosure of policy for social, development and environment-based investment quotas, disclosure of policy for *par excellence* customer service, micro and small business and social savings and investments, Qard Hasan, charitable activities and Waqf, are part of the voluntary SD. The reading of the annual reports of our sample shows that some items have not been disclosed by all IBs. So, like Al Baluchi (2006), we decide to include an item in the analytical instrument only if it is disclosed at least by one IB.

As a consequence, we eliminate *three items* related to the category “dealing with clients”, [7] *one item* for the category “earnings and expenditure prohibited by Sharia”, [8] *two items* related to the “employee Welfare” category, [9] *two items* related to the “zakat” category, [10] *one item* related to the “excellence customer service” category, [11] *one item* related the category “micro and small business and social savings”, [12] *three items* for the “Qard Hasan” category [13] and finally, *two items* for the category “charitable activities” [14].

Besides this problem of lack of information, the AAOIFI show some ambiguity in certain categories and items for which we apply some modifications:

For the category “*earnings and expenditure prohibited by Sharia*”, we note that the item “aggregate descriptions, amounts, account classification (revenue, expense, liability or asset) and reasons for undertaking the types of transactions” is general. It encompasses various information. In fact, reading the annual reports of IBs reveals some difficulty in linking the cited information such as “amounts of prohibited transactions, account classification, the reasons for the which bank has appropriated such amounts” to the same first item. Based on this fact, we propose to split this item into four distinct items: “general description”, “prohibited transaction amounts”, “classification of the account” and “reasons for which the bank appropriated such amounts”. But because the latter is not disclosed by any of the banks in the sample, it is eliminated.

Concerning the “*employee welfare*” category, we note that the item “provisions of the policy, including targeted disadvantaged groups” presents certain inaccuracy and falls into generalisation. In fact, reading the annual reports of IBs shows some difficulty, on the one hand, in coding certain information such as “training and development of employees”, “non-discrimination between white and black”, “fair treatment of all employees”, etc., and on the other hand, an interrogation on the relevance of attaching this information to the first item. To this end, we propose to detail the first item based on Section 5 “responsibilities under this standard” and paragraph 5/2/4 “policy for employee welfare” [15]. The policy for employee welfare theme includes 12 sub-items, but only five subitems are disclosed by at least one bank of our sample. In our analytical instrument, we retain five items in the “*employee welfare*” category, which are summarised in Table I.

As for the category “*social, development and environment-based investment quota*”, we notice an ambiguity in the list of items. It is not precise and not sufficient to allow

Mandatory disclosure Categories	Items
Screening clients	The specific provisions of the screening policy, including the benchmarks, and/or criterion used to measure compliance with Islamic law Whether these have been approved by the SSB
Dealing with clients	The obligation and rights of both parties The due process and responsible terms and conditions under which credit is extended to clients, including the process by which the customers' ability to repay and the effect on the client's financial and overall well-being is assessed The remedies available in the event that one or both parties violate the terms of contract SSB's opinion on the permissibility of charging late payment charges Late payment charges levied on clients How the IFI allocates the late payment charges in its accounts (allocation to revenue or charity)
Earnings and expenditure prohibited by Sharia	General description Prohibited transaction amounts The classification of the account SSB's verdict on the necessity of these transactions How the IB intends to dispose of such amounts IB's strategy to find viable permissible or halal alternatives, if any, for similar impermissible transactions in the future
Employee welfare	Equal opportunity for all employees, regardless of gender, race, religion, disability or socio-economic background Merit-based salary Establishing long-term incentive schemes and further development and training incentive schemes for all employees Pro-actively establishing, monitoring and acting on realisable quotas/targets for employment of staff from disadvantaged backgrounds, with disabilities, from a minority group and/or from under-represented groups in the formal economy (including females; affirmative action) Prohibition of discrimination, including, and not limited to, gender, race, religion, disability or socio-economic background, penalties for such discrimination and avenues for complaints for such discrimination without any manner of recrimination
Zakat	The list of sources and beneficiaries of zakat Declaration if the bank collects, pays zakat on behalf of its shareholders/holders of investment accounts Declaration of the sources of zakat Statement of funds distributed and its beneficiaries Calculation method of zakat Calculation of the amount owed by each holder of a unit capital account holders and investment account holders in the event that the bank is not obliged by law to pay the zakat
<i>Voluntary disclosure</i> Social based-investment quotas	The provisions of the policy Beneficiary of investments The profitability of such investments for the year Quotas/targets and achievements for the year

*(continued)***Table I.**
Analytical
instrument

Mandatory disclosure Categories	Items
Development impact investments	Provisions of the policy Beneficiary of investments The profitability of such investments for the year Quotas/targets and achievements for the year
Environmental impact investment	Provisions of the policy Beneficiary of investments The profitability of such investments for the year Quotas/targets and achievements for the year
Excellence customer service	Provisions of the policy Measures taken by management to develop customer service skills
Micro and small business and social savings and investments	Provisions of the policy Features of the offer Measures taken by management to implement the provisions of the policy Quotas/targets and achievements for the year
<i>Qard Hasan</i>	Whether there is a formal scheme operated by the bank for depositors, shareholders and other parties to place their funds for the use of <i>Qard Hasan</i> borrowers Sources of funding for <i>Qard Hasan</i> loans Aggregate purposes for which the <i>Qard Hasan</i> loans have been made
Charitable activities	Provisions of the policy Aggregate classes of charitable activities by ultimate beneficiary Amounts distributed to each aggregate class
<i>Waqf</i> management	Types of <i>Waqf</i> managed by the IFI Financial and other services offered to the <i>Waqf</i> by the IFI

Table I.

systematically the dissemination of societal information to one or the other of the categories. We choose to break the category into three distinct ones: social-based investment quotas, development-based investment quotas and environmental-based quotas. We opt for reformulating the title of certain items as follows: “provisions of the policy”, “purpose/beneficiary of these investments”, “profitability of these investment for the year”, “quotas/targets and achievements for the year”.

As a result of all these corrections in relation to the 72 banks of the sample, we try to collect for each one of them the information relating to 51 items classified in 12 categories (Table I).

It is important to notice that the different categories of SDs proposed by the Governance Standard No. 7 do not have the same weight from the Sharia standpoint.

3.2.2 Scoring the disclosure items. Once the list of disclosure items is defined, the next step is to develop a scoring scheme. We apply an unweighted disclosure index to score the items to measure compliance with AAOIFI Standard No. 7. As with previous studies (Maali *et al.*, 2006; Haniffa and Hudaib, 2007; Ousama and Fatima, 2010; Thea, 2010), we check each item across the 72 annual reports. The approach to scoring items is essentially dichotomous, in that an item takes the value of one if it is found in the annual reports, and zero otherwise.

As pointed out in different studies (Al-Sulaiti *et al.*, 2018), there are a number of advantages in using unweighted disclosure indices rather than weighted disclosure. First, an unweighted disclosure index is considered unbiased and avoids subjectivity, as it is based on weighting by zero or one, while weighted indices could be biased on the ground that it inherently involves subjectivity assigned by respondents when they come from

different countries or when they have unknown preferences for specific disclosure items (Al Baluchi, 2006).

Second, the ability to verify the information is greater in unweighted indices than in weighted average disclosure indices (Cooke and Wallace, 1989; Marston and Shrives, 1991).

Finally, we have to note that because we are interested in compliance with the AAOIFI Standard No. 7, which is developed by professionals in finance and Islamic jurisprudence, and because the index is unweighted, it is deemed useless to rely on professionals to approve it. However, we referred to two academics to check the econometric accuracy of the applied tests of the internal validity of the index.

3.2.3 Disclosure indices. To assess the level of mandatory compliance by each IB, we express the scores in the form of an index as Al Baluchi (2006) and Hidayat and Abdulrahman (2014), which we term mandatory disclosure index (MDI) as follows:

$$\text{MDI} = \text{MDS}/\text{Mm}$$

where:

MDS = mandatory disclosure score for each IB; and

Mm = maximum mandatory score possible for the individual bank.

Accordingly, the calculation of the voluntary disclosure index (VDI) is as the following:

$$\text{VDI} = \text{VDS}/\text{Mv}$$

where:

VDS = voluntary disclosure score for each bank; and

Mv = maximum voluntary score possible for the individual bank.

Finally, as Wan Amalina Wan Abdullah (2013), we measure the aggregate disclosure index (ADI) as the sum of the two previous indexes:

$$\text{ADI} = \text{MDI} + \text{VDI}$$

4. Results and discussions

In this section, we analyse the results of the *CSR*D index of the 72 IBs over the period 2010-2014.

We focus first on the global *CSR* index, then we analyse the nature of this disclosure, whether it is mandatory or voluntary in accordance with Standard No. 7 issued by AAOIFI in 2010.

4.1 Global corporate social report

Table II below represents the descriptive statistics of the global *CSR* index scores for the whole sample during the five-year observational period. The results show that the average of the global *CSR* index scores of all 15 countries in the MENA region increases during the five years from 19.71 per cent in 2010 to 24.45 per cent in 2014. But, we note that the extent of disclosure across countries varies considerably. Indeed, we can see from Figure 1 that Palestine, in 2010, achieved the best compliance score. It is followed by Jordan, Saudi Arabia, Bahrain and Qatar. From 2011, Jordan has occupied the first rank over the remaining four years. The lowest scores during the five years are recorded by Algeria, Iraq and Iran.

Countries		2010	2011	2012	2013	2014	Observation
Algeria	Mean	0.1176671	0.1176671	0.1568627	0.1568627	0.2165863	1
	SD						
	Minimum	0.1176671	0.1176671	0.1568627	0.1568627	0.2165863	
Saudi Arabia	Maximum	0.1176671	0.1176671	0.1568627	0.1568627	0.2165863	5
	Mean	0.2581494	0.2862745	0.3091372	0.3130588	0.3287444	
	SD	0.0773626	0.0883441	0.093224	0.0852902	0.0788927	
Bahrain	Minimum	0.1731	0.1960784	0.1960784	0.2352941	0.2352941	19
	Maximum	0.372549	0.4313725	0.4509804	0.4509804	0.4509804	
	Mean	0.2542607	0.285218	0.287282	0.2914306	0.2935152	
Egypt	SD	0.0747606	0.0689001	0.0703731	0.0708161	0.0725142	3
	Minimum	0.1176471	0.1176471	0.1176471	0.1176471	0.1176471	
	Maximum	0.0.38	0.0.38	0.0.38	0.40	0.42	
UAE	Mean	0.1639987	0.1830065	0.1960784	0.2287582	0.2418301	4
	SD	0.0571226	0.0742341	0.0518775	0.0452824	0.0599029	
	Minimum	0.0980392	0.0980392	0.1372549	0.254902	0.1764706	
Iran	Maximum	0.1969784	0.2352941	0.2352941	0.2941176	0.2941176	6
	Mean	0.1715686	0.230392	0.235294	0.235294	0.235294	
	SD	0.1054396	0.0882352	0.0831889	0.0831889	0.0831889	
Iraq	Minimum	0.0392157	0.1568627	0.1568627	0.1568627	0.1568627	2
	Maximum	0.2745098	0.3333330	0.333333	0.333333	0.333333	
	Mean	0.0980412	0.1143791	0.1143791	0.1176471	0.1176471	
Jordan	SD	0.0175352	0.0147603	0.0147603	0.0124011	0.0124011	4
	Minimum	0.0784314	0.0980392	0.0980392	0.0980392	0.0980392	
	Maximum	0.1176471	0.1372549	0.1372549	0.1372549	0.1372549	
Kuwait	Mean	0.1470588	0.1470588	0.1470588	0.1862745	0.1862745	7
	SD	0.0415945	0.0415945	0.0415945	0.0138648	0.0138648	
	Minimum	0.1176471	0.1176471	0.1176471	0.1764706	0.1764706	
Palestine	Maximum	0.1764706	0.1764706	0.1764706	0.1960784	0.1960784	2
	Mean	0.2990196	0.3382261	0.3382261	0.3382261	0.3382261	
	SD	0.0806468	0.088236	0.088236	0.088236	0.088236	
Qatar	Minimum	0.1960784	0.2352941	0.2352941	0.2352941	0.2352941	4
	Maximum	0.3921569	0.4509804	0.4509804	0.4509804	0.4509804	
	Mean	0.1876751	0.1960784	0.2067442	0.2067442	0.2067442	
Sudan	SD	0.0758202	0.0715977	0.0750777	0.0750777	0.0750777	5
	Minimum	0.0784314	0.0784314	0.0784314	0.0784314	0.0784314	
	Maximum	0.2941176	0.2941176	0.3137255	0.3137255	0.3137255	
Sudan	Mean	0.3137255	0.3137255	0.3039221	0.3039221	0.3039221	2
	SD	0.1109187	0.01109187	0.0693248	0.0693248	0.0693248	
	Minimum	0.2352941	0.2352941	0.254902	0.254902	0.254902	
Qatar	Maximum	0.3921569	0.3921569	0.3529421	0.3529421	0.3529421	4
	Mean	0.2115686	0.254902	0.254902	0.254902	0.2647059	
	SD	0.1096925	0.1120682	0.1120682	0.1120682	0.1203396	
Sudan	Minimum	0.0980392	0.0980392	0.0980392	0.0980392	0.0980392	5
	Maximum	0.3529412	0.3529412	0.3529412	0.3529412	0.3529412	
	Mean	0.0.1736695	0.210084	0.2156863	0.2156863	0.2184874	
Sudan	SD	0.0634646	0.0731159	0.0784314	0.0784314	0.0811842	5
	Minimum	0.0980392	0.1176471	0.1176471	0.1176471	0.1176471	
	Maximum	0.254902	0.3137255	0.3137255	0.3137255	0.3137255	

Table II.
Descriptive statistics
of the global CSR
index by country and
year

(continued)

Table II.

Countries		2010	2011	2012	2013	2014	Observation
Syria	Mean	0.1933333	0.1933333	0.22	0.24	0.24	3
	SD	0.122202	0.122202	0.14	0.1587451	0.1587451	
	Minimum	0.06	0.06	0.06	0.06	0.06	
	Maximum	0.3	0.3	0.32	0.36	0.36	
Turkey	Mean	0.2009647	0.2549020	0.2647059	0.2647059	0.2647059	4
	SD	0.0404454	0.0277297	0.0113206	0.0113206	0.0113206	
	Minimum	0.1568000	0.2156863	0.2549020	0.2549020	0.2549020	
	Maximum	0.2352941	0.2745098	0.2745098	0.2745098	0.2745098	
Tunisia	Mean	0.1960784	0.1960784	0.1960784	0.1960784	0.254902	1
	SD	
	Minimum	0.1960784	0.1960784	0.1960784	0.1960784	0.254902	
	Maximum	0.1960784	0.1960784	0.1960784	0.1960784	0.254902	
All countries	Mean	0.1971578	0.2181537	0.2265355	0.232122	0.2445722	15
	SD	0.06327	0.0707614	0.066463	0.0657148	0.063089	
	Minimum	0.0980412	0.1143791	0.1143791	0.1143791	0.1143791	
	Maximum	0.3137255	0.3382261	0.3382261	0.3382261	0.3382261	

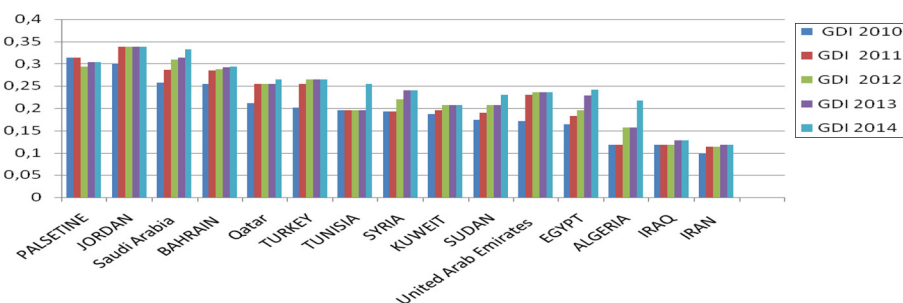


Figure 1.
The global CSR index scores by country from 2010 to 2014

Contrary to our expectations, the countries that have made the AAOIFI accounting standards mandatory are not necessarily in a better position with respect to their social communication, especially in the case of Sudan.

The religious effect seems unable to explain as well the social communication because Turkey and Tunisia, two secular countries, have a higher disclosure level than a full Islamic model country like Iran.

However, if we look closely at the comparative statistics of the global CSR index scores related to the 72 IBs, we will find a wide disparity between the banks inside some countries, like Saudi Arabia, Bahrain and Egypt.

Some banks such as Bank Al Bilad and Al Jazeera Bank in Saudi Arabia recorded during the period an increase in the global CSR index scores; however, others like those in Iran did not record any significant evolution.

As Figure 2 shows, the top five IBs complying with the AAOIFI standard No. 7 are Jordan IB (its index has moved from 39.21 to 45.09 per cent), Al Jazeera Bank (its index has moved from 37.25 to 45.09 per cent), Al Baraka Bank Group (its index has moved from 38 to 42 per cent), the Arab IB (its index has moved from 39.21 to 35.29 per cent) and Qatar IB (with a constant index level of compliance of 35.29 per cent). All these banks appear to be national banks, with large market capitalisation and large shareholding.

It is obvious that global disclosure index varies considerably throughout countries, but also across banks. This could be explained by the religious model of the country, but most probably by the internal characteristics of the banks.

4.2 Mandatory corporate social responsibility disclosure index

Table III, which presents the descriptive statistics of the MDI across counties, show that the index increased on average during the period 2010-2014 from 23.85 to 25.39 per cent, and it has varied considerably across countries. Figure 3 reports these results. We notice a sustained increase in the case of Bahrain. Palestine had the first MDI during 2010 and 2011, followed by Jordan. From 2012 on, Jordan ranked first, followed by Bahrain, Palestine and Saudi Arabia. The lowest scores are achieved over the five years by Iran and Turkey.

From Figure 4, we can see that Al Jazeera Bank, with 48 per cent MDI, is ranked first during the whole observational period. It is followed by the Jordan IB with a rate of 44 per cent. The Arab IB has the same disclosure level as the latter during 2010 and 2011, but decreased through the following years to 32 per cent. Qatar IB has, however, the same mandatory disclosure index of 32 per cent.

These results show once again that the policy of mandatory CSR is variable within each country. It complies with the internal policy of each bank.

Table III also sets out the characteristics of the mandatory SD index according the five dimensions: D1 “screening clients”, D2 “dealing with clients”, D3 “earnings and expenditure prohibited by Sharia”, D4 “employee welfare” and D5 “zakat”.

The results reported in Figure 5 show at first that the disclosure of the “screening clients” category (D1) generally scores highly for the majority of countries throughout the five years. The average score is 82.68 per cent and even crosses the threshold of 84.8 per cent during the subsequent years. This may prove that the choice of the clients who meet the requirements of Sharia is crucial for the IBs to preserve their Islamic characteristics. The second, third and fourth following important dimensions characterising the MDI are, respectively, (D4) “employee welfare” (D5) “zakat” and (D3) “Earnings and expenditure prohibited by Sharia”, D2 “Dealing with clients”, as a consequence, have the least score.

Even if the “zakat” seems to be, on average, not enough important as shown in Table III, we can see that for certain years, and in countries, it is considered as an important information in CSR communication. As a matter of fact, during 2010-2011, related to that dimension, Palestine has the best conformity score of 49.83 per cent which declines in 2012 to a compliance level of 24.833 per cent, due to the change of the Arab IB’s charter that year concerning its zakat disclosure policy[16].

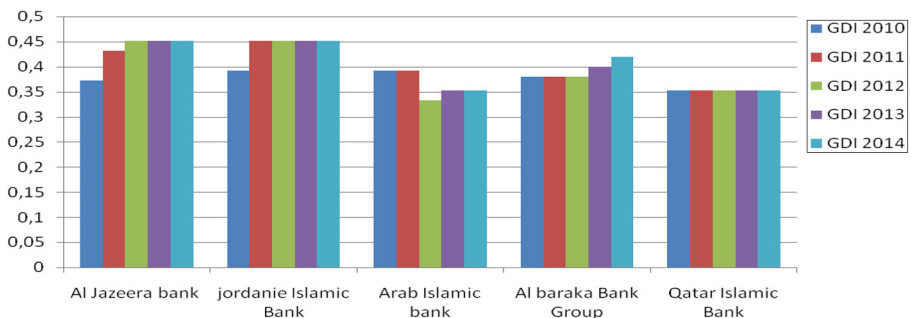


Figure 2. The top five IBs’ global CSR index from 2010 to 2014

Pays	MDI	2010			2011			2012			2013			2014			Obs.
		Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD		
Algeria	D1	0.20	.	0.20	.	0.24	.	0.24	.	0.24	.	0.2352941	.	0.2352941	.	1	
	D2	1	.	1	.	1	.	1	.	1	.	1	.	1	.	1	
	D3	0	.	0	.	0	.	0	.	0	.	0	.	0	.	0	
	D4	0.33	.	0.33	.	0.33	.	0.33	.	0.33	.	0.33	.	0.33	.	0.33	
	D5	0.2	.	0.2	.	0.2	.	0.2	.	0.2	.	0.2	.	0.2	.	0.2	
Saudi Arabia	D1	0.32	0.1019804	0.328	0.0995992	0.328	0.0995992	0.328	0.0995992	0.328	0.0995992	0.328	0.0995992	0.328	0.0995992	6	
	D2	0.9	0.2236068	0.9	0.2236068	0.9	0.2236068	0.9	0.2236068	0.9	0.2236068	0.9	0.2236068	0.9	0.2236068		
	D3	0.1	0.2236068	0.1	0.2236068	0.1	0.2236068	0.1	0.2236068	0.1	0.2236068	0.1	0.2236068	0.1	0.2236068		
	D4	0.56	0.167332	0.56	0.167332	0.56	0.167332	0.56	0.167332	0.56	0.167332	0.56	0.167332	0.56	0.167332		
	D5	0.432	0.0931128	0.432	0.0931128	0.432	0.0931128	0.432	0.0931128	0.432	0.0931128	0.432	0.0931128	0.432	0.0931128		
Bahrain	D1	0.3029102	0.0805626	0.3284211	0.0749269	0.3326316	0.0766552	0.3389474	0.0766552	0.3389474	0.0766552	0.3389474	0.0766552	0.3389474	0.0766552	19	
	D2	0.8947368	0.209427	0.8947368	0.209427	0.8947368	0.209427	0.8947368	0.209427	0.8947368	0.209427	0.8947368	0.209427	0.8947368	0.209427		
	D3	0.0436768	0.0930773	0.0524484	0.0965218	0.0698168	0.1145641	0.0961326	0.1145641	0.0961326	0.1145641	0.0961326	0.1145641	0.0961326	0.1145641		
	D4	0.3149689	0.1142582	0.3048526	0.1142582	0.3048526	0.1142582	0.3048526	0.1142582	0.3048526	0.1142582	0.3048526	0.1142582	0.3048526	0.1142582		
	D5	0.3574721	0.1279288	0.3574721	0.1279288	0.3574721	0.1279288	0.3574721	0.1279288	0.3574721	0.1279288	0.3574721	0.1279288	0.3574721	0.1279288		
Egypt	D1	0.2266667	0.0922376	0.24	0.1058301	0.24	0.1058301	0.24	0.1058301	0.24	0.1058301	0.24	0.1058301	0.24	0.1058301	4	
	D2	1	0	1	0	1	0	1	0	1	0	1	0	1	0		
	D3	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
	D4	0.2	0.4444433	0.4194337	0.1154701	0.2666667	0.4194337	0.1154701	0.2666667	0.4194337	0.1154701	0.2666667	0.4194337	0.1154701	0.2666667		
	D5	0.1885175	0.0785938	0.23	0.0503322	0.24	0.0565685	0.24	0.0565685	0.24	0.0565685	0.24	0.0565685	0.24	0.0565685		
UAE	D1	0.5	0.4082483	0.625	0.25	0.75	0.2886751	0.75	0.2886751	0.75	0.2886751	0.75	0.2886751	0.75	0.2886751	4	
	D2	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
	D3	0.083165	0.096031	0.124665	0.0831106	0.124665	0.0831106	0.124665	0.0831106	0.124665	0.0831106	0.124665	0.0831106	0.124665			
	D4	0.2	0.1632993	0.25	0.1	0.25	0.1	0.25	0.1	0.25	0.1	0.25	0.1	0.25			
	D5	0.3749	0.0834001	0.3749	0.0834001	0.3749	0.0834001	0.3749	0.0834001	0.3749	0.0834001	0.3749	0.0834001	0.3749	0.0834001		
Iran	D1	0.012	0.0252982	0.12	0.0252982	0.12	0.0252982	0.12	0.0252982	0.12	0.0252982	0.12	0.0252982	0.12	0.0252982	4	
	D2	0.5	0	0.5	0	0.5	0	0.5	0	0.5	0	0.5	0	0.5			
	D3	0.1388917	0.0680427	0.1388917	0.0680427	0.1388917	0.0680427	0.1388917	0.0680427	0.1388917	0.0680427	0.1388917	0.0680427	0.1388917			
	D4	0	0	0	0	0	0	0	0	0	0	0	0	0			
	D5	0.2333	0.0816497	0.2333	0.0816497	0.2333	0.0816497	0.2333	0.0816497	0.2333	0.0816497	0.2333	0.0816497	0.2333			

(continued)

Table III.
Descriptive statistics
of the mandatory
CSRD index and its
dimension by
country and year

Table III.

Pays		2010			2011			2012			2013			2014			Obs.
		Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD		
Iraq	MDI	0.22	0.0282843	0.22	0.0282843	0.22	0.0282843	0.22	0.0282843	0.22	0.0282843	0.22	0.0282843	0.22	0.0282843	2	
	D1	1	0	1	0	1	0	1	0	1	0	1	0	1	0	0	
	D2	0.24835	0.1154705	0.24835	0.1154705	0.24835	0.1154705	0.24835	0.1154705	0.24835	0.1154705	0.24835	0.1154705	0.24835	0.1154705	0	
	D3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	D5	0.4	0	0.4	0	0	0	0.4	0	0	0	0.4	0	0	0	0	
Jordan	MDI	0.37	0.0824621	0.37	0.0824621	0.37	0.0824621	0.37	0.0824621	0.37	0.0824621	0.37	0.0824621	0.37	0.0824621	4	
	D1	1	0	1	0	1	0	1	0	1	0	1	0	1	0	0	
	D2	0.0416675	0.083335	0.0416675	0.083335	0.0416675	0.083335	0.0416675	0.083335	0.0416675	0.083335	0.0416675	0.083335	0.0416675	0.083335	0	
	D3	0.206675	0.1578297	0.206675	0.1578297	0.206675	0.1578297	0.206675	0.1578297	0.206675	0.1578297	0.206675	0.1578297	0.206675	0.1578297	0	
	D5	0.55	0.1	0.55	0.1	0.55	0.1	0.55	0.1	0.55	0.1	0.55	0.1	0.55	0.1	0	
Kuwait	MDI	0.2171429	0.06873	0.2228571	0.0647339	0.2342857	0.0745782	0.2342857	0.0745782	0.2342857	0.0745782	0.2342857	0.0745782	0.2342857	0.0745782	7	
	D1	0.7857143	0.2672612	0.7857143	0.2672612	0.7857143	0.2672612	0.7857143	0.2672612	0.7857143	0.2672612	0.7857143	0.2672612	0.7857143	0.2672612	0	
	D2	0.02381	0.0629953	0.02381	0.0629953	0.04762	0.0813266	0.04762	0.0813266	0.04762	0.0813266	0.04762	0.0813266	0.04762	0.0813266	0	
	D3	0.11905	0.0813266	0.11905	0.0813266	0.11905	0.0813266	0.11905	0.0813266	0.11905	0.0813266	0.11905	0.0813266	0.11905	0.0813266	0	
	D5	0.2571429	0.1511858	0.2571429	0.1511858	0.2571429	0.1511858	0.2571429	0.1511858	0.2571429	0.1511858	0.2571429	0.1511858	0.2571429	0.1511858	0	
Palestine	MDI	0.2851429	0.2838165	0.3088571	0.2621268	0.3088571	0.2621268	0.3088571	0.2621268	0.3088571	0.2621268	0.3088571	0.2621268	0.3088571	0.2621268	2	
	D1	0.4	0.0565685	0.4	0.0565685	0.34	0.0282843	0.34	0.0282843	0.34	0.0282843	0.34	0.0282843	0.34	0.0282843	0	
	D2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	D3	0.33	0	0.33	0	0.33	0	0.33	0	0.33	0	0.33	0	0.33	0	0	
	D5	0.4983	0.2380121	0.4983	0.2380121	0.6	0.1154988	0.6	0.1154988	0.6	0.1154988	0.6	0.1154988	0.6	0.1154988	0	
Qatar	MDI	0.22	0.069282	0.25	0.068313	0.25	0.068313	0.25	0.068313	0.25	0.068313	0.25	0.068313	0.25	0.068313	0	
	D1	0.75	0.2886751	0.75	0.2886751	0.75	0.2886751	0.75	0.2886751	0.75	0.2886751	0.75	0.2886751	0.75	0.2886751	0	
	D2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	D3	0.1249	0.1594203	0.20815	0.1594029	0.20815	0.1594029	0.20815	0.1594029	0.20815	0.1594029	0.20815	0.1594029	0.20815	0.1594029	0	
	D5	0.3	0.1154701	0.3	0.1154701	0.3	0.1154701	0.3	0.1154701	0.3	0.1154701	0.3	0.1154701	0.3	0.1154701	0	
Sudan	MDI	0.2905	0.159636	0.2905	0.159636	0.2905	0.159636	0.2905	0.159636	0.2905	0.159636	0.2905	0.159636	0.2905	0.159636	7	
	D1	0.1828571	0.0453557	0.2	0.04	0.2114286	0.0552052	0.2114286	0.0552052	0.2114286	0.0552052	0.2114286	0.0552052	0.2114286	0.0552052	0	
	D2	0.5714286	0.3450328	0.6428571	0.243975	0.6428571	0.243975	0.6428571	0.243975	0.6428571	0.243975	0.6428571	0.243975	0.6428571	0.243975	0	
	D3	0.0238143	0.0630067	0.0238143	0.0630067	0.0238143	0.0630067	0.0238143	0.0630067	0.0238143	0.0630067	0.0238143	0.0630067	0.0238143	0.0630067	0	
	D5	0.2238143	0.0813413	0.2238143	0.0813413	0.2238143	0.0813413	0.2238143	0.0813413	0.2238143	0.0813413	0.2238143	0.0813413	0.2238143	0.0813413	0	
	D4	0.2133572	0.0796822	0.2600143	0.0872875	0.2600143	0.0872875	0.2600143	0.0872875	0.2600143	0.0872875	0.2600143	0.0872875	0.2600143	0.0872875	0	
	D5	0.3309572	0.0962293	0.3309572	0.0962293	0.3309572	0.0962293	0.3309572	0.0962293	0.3309572	0.0962293	0.3309572	0.0962293	0.3309572	0.0962293	0	

(continued)

Pays		2010		2011		2012		2013		2014		Obs.
		Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Syria	MDI	0.24	0.1058301	0.24	0.1058301	0.2666667	0.128582	0.28	0.1385641	0.28	0.1385641	
	D1	1	0	1	0	1	0	1	0	1	0	
	D2	0.2775667	0.0960133	0.2775667	0.0960133	0.2775667	0.0960133	0.2775667	0.0960133	0.2775667	0.0960133	1
	D3	0.2222333	0.2545839	0.2222333	0.2545839	0.2222333	0.2545839	0.2775667	0.2545512	0.2775667	0.2545512	
	D4	0.1333333	0.1154701	0.1333333	0.1154701	0.2666667	0.2309401	0.2666667	0.2309401	0.2666667	0.2309401	
Turkey	D5	0.2755667	0.0942813	0.2755667	0.0942813	0.2755667	0.0942813	0.2755667	0.0942813	0.2755667	0.0942813	
	MDI	0.14	0.2	0.14	0.2	0.14	0.2	0.14	0.2	0.14	0.2	
	D1	0.5	0	0.5	0	0.5	0	0.5	0	0.5	0	
	D2	0.041675	0.08335	0.041675	0.08335	0.041675	0.08335	0.041675	0.08335	0.041675	0.08335	1
	D3	0	0	0	0	0	0	0	0	0	0	
Tunisia	D4	0.45	0.1	0.45	0.1	0.45	0.1	0.45	0.1	0.45	0.1	
	D5	0	0	0	0	0	0	0	0	0	0	
	MDI	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	
	D1	1	1	1	1	1	1	1	1	1	1	
	D2	0.333	0.333	0.333	0.333	0.333	0.333	0.333	0.333	0.333	0.333	1
All countries	D3	0.333	0.333	0.333	0.333	0.333	0.333	0.333	0.333	0.333	0.333	
	D4	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	
	D5	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	
	MDI	0.2385396	0.0794363	0.2479609	0.0786433	0.2521964	0.0728783	0.2539548	0.0726088	0.2539899	0.0726529	15
	D1	0.826792	0.2092771	0.8398872	0.1914481	0.8482205	0.1840021	0.8482205	0.1840021	0.8482205	0.1840021	
D2	0.0765758	0.1155383	0.0794028	0.1141523	0.0837157	0.1121445	0.0854701	0.1121174	0.0854701	0.1121174		
D3	0.1451793	0.1322409	0.153496	0.1319953	0.1590836	0.1304584	0.1587792	0.1332517	0.1589792	0.133529		
D4	0.3211402	0.1535801	0.3363615	0.1462044	0.3452304	0.1367425	0.3468917	0.1348794	0.3468937	0.1348781		
D5	0.2626188	0.1772669	0.2641998	0.1775876	0.2608684	0.1514514	0.2863131	0.1624621	0.2863131	0.1624621		

Notes: D1: screening clients; D2: dealing with clients; D3: earnings and expenditure prohibited by *Sharia*; D4: employee welfare; D5: *zakat*

Table III.

4.3 Voluntary corporate social responsibility disclosure index

Table IV presents the comparative statistics of the voluntary CSR index VDI across countries. The results show that the average VDI for all 15 countries in the MENA region has increased from 15.12 to 22.94 per cent, but remains not as important as the mandatory. And, even though it does not have same value for all countries, the score recorded an increase over time for all.

Figure 6 shows, based on the sample and period observation, that Turkey has the highest score of voluntary CSR index VDI, followed by Jordan and Qatar. The lowest scores are, however, attributed to Algeria, Iran and Iraq. The most important variations regarding this category of disclosure are those of Saudi Arabia, Egypt and Syria.

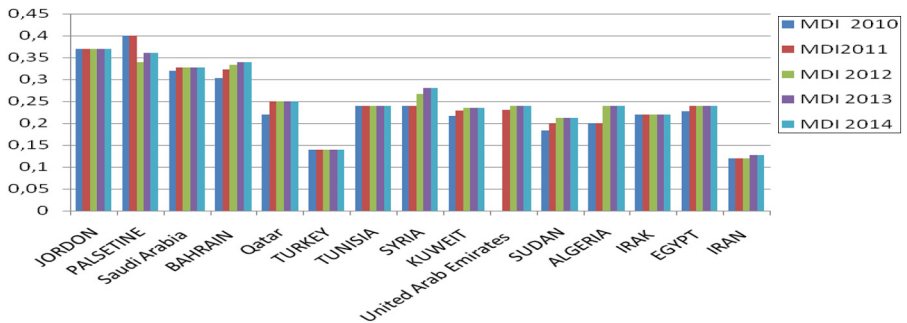


Figure 3. Mandatory CSR index by country from 2010 to 2014



Figure 4. Top five IBs mandatory CSR index from 2010 to 2014

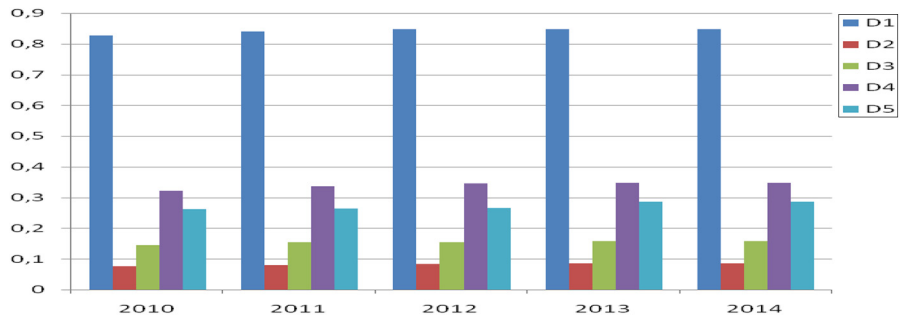


Figure 5. Average of mandatory dimension by year

Pays		2010		2011		2012		2013		2014		Obs.	
		Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD		
Algeria	VDI	0.0384615	.	0.0384615	.	0.0769231	.	0.0769231	.	0.1153846	.	1	
	D6	0.25	.	0.25	.	0.5	.	0.5	.	0.5	.		
	D7	0	.	0	.	0	.	0	.	0	.		
	D8	0	.	0	.	0	.	0	.	0	.		
	D9	0	.	0	.	0	.	0	.	0	.		
	D10	0	.	0	.	0	.	0	.	0	.		
	D11	0	.	0	.	0	.	0	.	0	.		
	D12	0	.	0	.	0	.	0	.	0	.		
	D13	0	.	0	.	0	.	0	.	0.5	.		
	Saudi Arabia	VDI	0.1923077	0.1464572	0.2461539	0.1348899	0.292307	0.1402657	0.2999993	0.1197874	0.03307678	0.1039171	6
	D6	0.3	0.4472136	0.3	0.4472136	0.3	0.4472136	0.3	0.4472136	0.4	0.418333		
	D7	0.45	0.4472136	0.55	0.3708099	0.55	0.2236068	0.65	0.2236068	0.65	0.2236068		
	D8	0	0	0	0	0.1	0.2236068	0.1	0.2236068	0.1	0.2236068		
D9	0.4	0.5477226	0.6	0.5477226	0.6	0.5477226	0.8	0.4472136	0.8	0.4472136			
D10	0	0	0	0	0	0	0	0	0	0			
D11	0	0	0	0	0	0	0	0	0	0			
D12	0.332	0.4082524	0.332	0.4082524	0.398	0.3656091	0.398	0.3656091	0.464	0.3797763			
D13	0.1	0.2236068	0.1	0.2236068	0.1	0.2236068	0.1	0.2236068	0.1	0.2236068			
Bahrain	VDI	0.2052307	0.1034638	0.2409311	0.2409311	0.2409311	0.0945471	0.2429554	0.0989718	0.2449797	0.099102	6	
D6	0.0921053	0.1902215	0.1842105	0.2614344	0.1842105	0.2614344	0.1842105	0.2614344	0.1842105	0.1842105	0.2614344		
D7	0.3289474	0.3637443	0.4605263	0.3360634	0.4605263	0.3360634	0.4605263	0.3360634	0.4473684	0.3289181			
D8	0	0	0	0	0	0	0	0	0.0263158	0.1147079	0.1147079		
D9	0.6578947	0.4100349	0.6578947	0.4100349	0.6578947	0.4100349	0.6578947	0.4100349	0.6842105	0.4153488			
D10	0	0	0	0	0	0	0	0	0.0350879	0.1529446			
D11	0.0131579	0.0573539	0.0131579	0.0573539	0.0131579	0.0573539	0.0131579	0.0573539	0.0131579	0.0573539			
D12	0.7359263	0.2108571	0.7531368	0.1882788	0.7531368	0.1882788	0.7531368	0.1882788	0.7531368	0.1882788			
D13	0	0	0	0	0	0	0	0	0	0			
Egypt	VDI	0.1025641	0.0222058	0.1282051	0.058751	0.1538462	0.0384615	0.2307692	0.0384615	0.255641	0.0215705	6	
D6	0	0	0	0	0	0	0	0	0.0384615	0.255641			
D7	0	0	0	0	0.1666667	0.2886751	0.3333333	0.3333333	0.2886751	0.5			
D8	0	0	0	0.1666667	0.2886751	0.1666667	0.2886751	0.3333333	0.2886751	0.3333333	0.2886751		
D9	0	0	0	0	0	0	0	0	0	0			
D10	0	0	0	0	0	0	0	0	0.5773503	0.3333333	0.5773503		
D11	0	0	0	0	0	0	0	0	0	0			
D12	0.8888667	0.1924886	0.8888667	0.1924886	0.8888667	0.1924886	0.8888667	0.1924886	0.8888667	0.1924886	0.8888667		
D13	0	0	0	0	0	0	0	0	0	0			

(continued)

Table IV.
Descriptive statistics
of the voluntary
CSRD index and its
dimension by
country and year

Table IV.

Pays	VDI	2010		2011		2012		2013		2014		Obs.
		Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
UAE	VDI	0.1538461	0.1404417	0.2307692	0.1404417	0.2307692	0.1404417	0.2307692	0.1404417	0.2307692	0.1404417	6
	D6	0.125	0.25	0.25	0.2886751	0.25	0.2886751	0.25	0.2886751	0.25	0.2886751	
	D7	0.375	0.4330127	0.375	0.4330127	0.375	0.4330127	0.5	0.4330127	0.5	0.4330127	
	D8	0	0	0.125	0.25	0	0.125	0.125	0.25	0	0.125	
	D9	0.25	0.2886751	0.375	0.25	0.375	0.25	0.375	0.25	0.375	0.25	
	D10	0	0	0	0	0	0	0	0	0	0	
	D11	0	0	0.0825	0.165	0.0825	0.165	0.0825	0.165	0.0825	0.165	
	D12	0.49975	0.4302886	0.66625	0.2723018	0.66625	0.2723018	0.66625	0.2723018	0.66625	0.2723018	
	D13	0	0	0	0	0	0	0	0	0	0	
	Iran	VDI	0.0769231	0.0421325	0.109041	0.0451116	0.109041	0.0451116	0.109041	0.0451116	0.109041	0.0451116
D6		0	0	0	0	0	0	0	0	0	0	
D7		0.0833333	0.2041241	0.2083333	0.33229	0.2083333	0.33229	0.2083333	0.33229	0.2083333	0.33229	
D8		0	0	0	0	0	0	0	0	0	0	
D9		0.3333333	0.5163978	0.5	0.5477226	0.5	0.5477226	0.5	0.5477226	0.5	0.5477226	
D10		0	0	0	0	0	0	0	0	0	0	
D11		0	0	0	0	0	0	0	0	0	0	
D12		0.1666667	0.4082483	0.3333333	0.5163978	0.3333333	0.5163978	0.3333333	0.5163978	0.3333333	0.5163978	
D13		0	0	0	0	0	0	0	0	0	0	
Iraq		VDI	0.0769254	0.0543896	0.0769254	0.0543896	0.0769254	0.0543896	0.1538462	0	0.1538462	0
	D6	0.375	0.5303301	0.375	0.5303301	0.375	0.5303301	0.75	0	0.75	0	
	D7	0	0	0	0	0	0	0	0	0	0	
	D8	0	0	0	0	0	0	0	0	0	0	
	D9	0.25	0.3535534	0.25	0.3535534	0.25	0.3535534	0.5	0	0.5	0	
	D10	0	0	0	0	0	0	0	0	0	0	
	D11	0	0	0	0	0	0	0	0	0	0	
	D12	0	0	0	0	0	0	0	0	0	0	
Jordan	VDI	0.2403846	0.1313712	0.3557536	0.1643236	0.3846154	0.1439099	0.3846154	0.1439099	0.3846154	0.1439099	6
	D6	0.1875	0.375	0.1875	0.375	0.1875	0.375	0.1875	0.375	0.1875	0.375	
	D7	0.25	0.2886751	0.375	0.25	0.375	0.25	0.375	0.25	0.375	0.25	
	D8	0	0	0.125	0.25	0.25	0.2886751	0.25	0.2886751	0.25	0.2886751	
	D9	0.375	0.4787136	0.5	0.4082483	0.5	0.4082483	0.5	0.4082483	0.5	0.4082483	
	D10	0	0	0	0	0	0	0	0	0	0	
	D11	0.415	0.498898	0.415	0.498898	0.415	0.498898	0.415	0.498898	0.415	0.498898	
	D12	1	0	1	0	1	0	1	0	1	0	
	D13	0	0	0	0	0	0	0	0	0	0	

(continued)

Pays	VDI	2010		2011		2012		2013		2014		Obs.	
		Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD		
Kuwait	VDI	0.1593396	0.0843469	0.1593396	0.0843469	0.1758231	0.0855907	0.1758231	0.0855907	0.1758231	0.0855907	6	
	D6	0.1785714	0.3133916	0.1785714	0.3133916	0.1785714	0.3133916	0.1785714	0.3133916	0.1785714	0.3133916		
	D7	0.4214286	0.03498299	0.4214286	0.03498299	0.4214286	0.03498299	0.4214286	0.03498299	0.4214286	0.03498299		
	D8	0	0	0.0714286	0.1889822	0.0714286	0.1889822	0.0714286	0.1889822	0.0714286	0.1889822		
	D9	0.2142857	0.3933979	0.3571429	0.4755949	0.3571429	0.4755949	0.3571429	0.4755949	0.3571429	0.4755949		
	D10	0	0	0	0	0	0	0	0	0	0		
	D11	0	0	0	0	0	0	0	0	0	0		
	D12	0.4283857	0.3171342	0.476	0.3780485	0.476	0.3780485	0.476	0.3780485	0.476	0.3780485		
	D13	0	0	0	0	0	0	0	0	0	0		
	Palestine	VDI	0.2307692	0.1631785	0.2307692	0.1631785	0.2500001	0.1359821	0.2500001	0.1359821	0.2500001	0.1359821	2
		D6	0.25	0.3535534	0.25	0.3535534	0.25	0.3535534	0.25	0.3535534	0.25	0.3535534	
		D7	0	0	0	0	0	0	0	0	0	0	
		D8	0	0	0	0	0	0	0	0	0	0	
D9		0.5	0.7071068	0.5	0.7071068	0.5	0.7071068	0.5	0.7071068	0.5	0.7071068		
D10		0	0	0.165	0.2333452	0.165	0.2333452	0.165	0.2333452	0.165	0.2333452		
Qatar	VDI	0.2211536	0.1759025	0.3269228	0.1554403	0.3269228	0.1554403	0.3269228	0.1554403	0.3269228	0.1554403		
	D6	0.375	0.4330127	0.5625	0.375	0.5625	0.375	0.5625	0.375	0.5625	0.375		
	D7	0.4375	0.3145764	0.125	0.2393568	0.6875	0.2393568	0.6875	0.2393568	0.6875	0.2393568		
	D8	0	0	0.16667	0.2886751	0.16667	0.2886751	0.16667	0.2886751	0.16667	0.2886751		
	D9	0.25	0.5	0.25	0.5	0.25	0.5	0.25	0.5	0.25	0.5		
	D10	0	0	0	0	0	0	0	0	0	0		
	D11	0	0	0	0	0	0	0	0	0	0		
	D12	0.665	0.3868247	0.8325	0.335	0.8325	0.335	0.8325	0.335	0.8325	0.335		
	D13	0	0	0	0	0	0	0	0	0	0		
	Sudan	VDI	0.1635165	0.0890658	0.2197802	0.1103926	0.2197802	0.1103926	0.2197802	0.1103926	0.2252747	0.1141571	7
		D6	0.3142857	0.3472683	0.3142857	0.3472683	0.3142857	0.3472683	0.3142857	0.3472683	0.3857143	0.3223795	
		D7	0.1785714	0.3133916	0.5	0.3535534	0.5	0.3535534	0.5	0.3535534	0.5	0.3535534	
		D8	0	0	0	0	0	0	0	0	0	0	
D9		0.5714286	0.5345225	0.5714286	0.5345225	0.5714286	0.5345225	0.5714286	0.5345225	0.6666667	0.5163978		
D10		0	0	0.0471429	0.1247283	0.0471429	0.1247283	0.0471429	0.1247283	0.055	0.1347219		
D12		0.2357143	0.3138926	0.2828572	0.2969127	0.2828572	0.2969127	0.2828572	0.2969127	0.3866667	0.3889302		
D13	0	0	0	0	0	0	0	0	0	0			

Table IV.

Table IV.

Pays		2010		2011		2012		2013		2014		Obs.	
		Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD		
Syria	VDI	0.1466667	0.1404754	0.1466667	0.1404754	0.1733333	0.1514376	0.2	0.183303	0.2	0.183303	2	
	D6	0	0	0	0	0	0	0.1666667	0.2886751	0.1666667	0.2886751		
	D7	0.1666667	0.2886751	0.1666667	0.2886751	0.1666667	0.2886751	0.1666667	0.2886751	0.1666667	0.2886751		
	D8	0	0	0	0	0	0	0	0	0	0		
	D9	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5		
	D10	0	0	0	0	0	0	0	0	0	0		
	D11	0	0	0	0	0	0	0	0	0	0		
	D12	0.4433333	0.5095423	0.4433333	0.5095423	0.4433333	0.5095423	0.6666667	0.5773503	0.6666667	0.5773503		
	D13	0	0	0	0	0	0	0	0	0	0		
	Turkey	VDI	0.2596155	0.0852827	0.3653846	0.0496536	0.3846154	0.0314037	0.3846154	0.0314037	0.3846154	0.0314037	4
		D6	0.25	0.2886751	0.375	0.25	0.5	0	0.5	0	0.5	0	
		D7	0.5625	0.125	0.5625	0.125	0.5625	0.125	0.5625	0.125	0.5625	0.125	
		D8	0	0	0	0	0	0	0	0	0	0	
D9		0.625	0.25	0.75	0.2886751	0.75	0.2886751	0.75	0.2886751	0.75	0.2886751		
D10		0	0	0	0	0	0	0	0	0	0		
D11		0	0	0	0	0	0	0	0	0	0		
Tunisia	VDI	0.0769231	0	0.0769231	0	0.0769231	0	0.0769231	0	0.193077	0	1	
	D6	0	0	0	0	0	0	0	0	0	0		
	D7	0.5	0	0.5	0	0.5	0	0.5	0	0.5	0		
	D8	0	0	0	0	0	0	0	0	0	0		
	D9	0	0	0	0	0	0	0	0	0	0		
	D10	0	0	0	0	0	0	0	0	0.75	0		
	D11	0	0	0	0	0	0	0	0	0	0		
D12	0	0	0	0	0	0	0	0	0	0			
D13	0	0	0	0	0	0	0	0	0	0			

(continued)

Pays	VDI	2010		2011		2012		2013		2014		Obs.
		Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
All countries	VDI	0.01511803	0.0741578	0.1865454	0.1007938	0.1993366	0.1008682	0.2135059	0.0997436	0.2293575	0.0919733	15
	D6	0.1298308	0.1238049	0.1609712	0.1481619	0.1970823	0.1768846	0.2193045	0.1712037	0.2307309	0.1799194	
	D7	0.266832	0.1907834	0.3315792	0.1877609	0.3315792	0.1877609	0.3576792	0.1957243	0.3576637	0.1957302	
	D8	0	0	0.019447	0.0519151	0.0475419	0.0788817	0.0492943	0.0780337	0.063183	0.0895079	
	D9	0.2951296	0.2296915	0.2951295	0.2296915	0.3479810	0.2570905	0.3729866	0.276051	0.4293136	0.2596952	
	D10	0.033333	0.1290994	0.033333	0.1290994	0.0333330	0.1290994	0.033333	0.1290994	0.0833333	0.2249339	
	D11	0.0316867	0.1067574	0.07233355	0.1639162	0.0921867	0.1921264	0.0921867	0.1921264	0.0931772	0.1934856	
	D12	0.4763762	0.3541342	0.5338290	0.3725607	0.5382852	0.3703883	0.553174	0.3707895	0.5644747	0.3646457	
	D13	0.013333	0.0516398	0.0133333	0.0516398	0.0133333	0.0516398	0.0142857	0.0534522	0.0466667	0.1355764	

Notes: D6: social-based investment quotas; D7: development-based investment quotas; D8: environmental-based investment quotas; D9: excellence customer service; D10: micro and small business and social savings and investments; D11: Qard Hasan; D12: Charitable activities; D13: *Waqf* management

Table IV.

As of the global and mandatory CSR, Figure 7 shows that the voluntary disclosures vary depending on countries and banks. With VDI that moves from 42.31 to 53.85 per cent, Jordan IB occupies the first rank during five successive years. Al Baraka Bank Group has a constant level voluntary compliance score of 41.37 per cent. Turkiye Finans as well as Al Jazeera Bank have improved their voluntary compliance score at the same level as Al Baraka bank. Finally, among the top five banks related to the VDI, we find Qatar IB with a constant score of 38.46 per cent.

Compared to the overall VDI index of 25.46 per cent, the scores of the top five IBs recorded in this register show that the voluntary disclosure is linked to each bank's internal strategic policy.

As we did with mandatory CSR, we try to scrutinise the analysis of the voluntary SD among several dimensions: D6 "social-based investment quotas", D7 "development-based investment quotas", D8 "environmental-based investment quotas", D9 "excellence customer service", D10 "micro and small business and social savings and investments", D11 "Qard Hasan", D12 "charitable activities" D13, "Waqf management" (Table IV).

From Figure 8, we can deduce that disclosure related to all the dimensions have improved over time; the highest score is attributed to D12 "the charitable activities" and the lowest to D13 "Waqf management".

The score related to D6 "social-based investment quotas" moves from 12.98 to 25.20 per cent, D7 "development-based investment quotas" from 26.69 to 35.76 per cent in 2014 and D8 "environmental-based investment quotas" from 1.94 to 6.32 per cent. This evolution in the scores proves that from 2010 on, IBs have become aware of the importance of investments that contribute to the social well-being and economic development; however, they are still less concerned with the environmental effect. Our findings are also consistent with those of Farag et al. (2014) who found very low levels of environmental related disclosures by IBs

Figure 6. Voluntary CSR index by country from 2010 to 2014

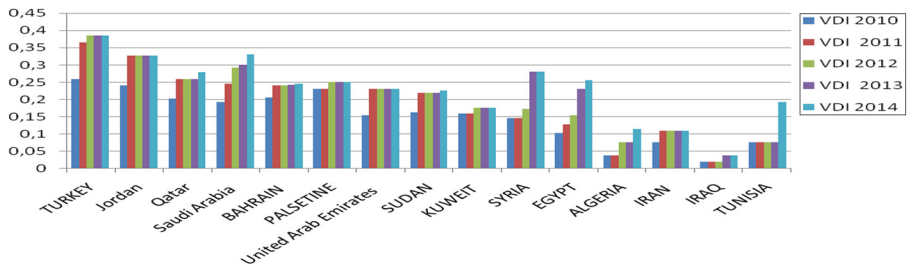
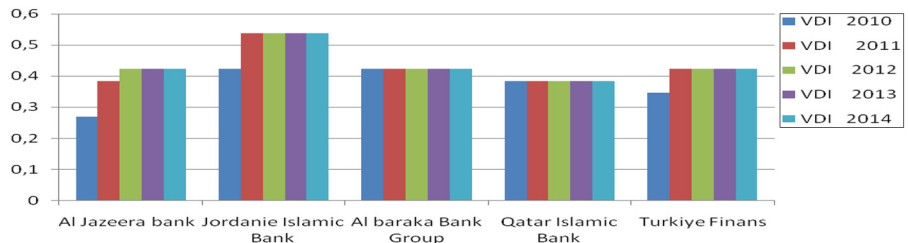


Figure 7. The best voluntary CSR index of the top five IBs



and it is consistent with the perception that IBs pay relatively little attention to CSR activities relating to the environment.

5. Conclusion

This study aimed at measuring the degree of compliance of IBs with the AAOIFI Standard No. 7. Because IBs operate under vastly different socio-economic structures across the globe, the sample banks were selected from the MENA to make comparisons and interpretations more meaningful because they have also different Islamic model. A compliance benchmark was developed, based on those items, and derived from the recommendations of AAOIFI Governance Standard No. 7.

The global CSR index scores show that the extent of disclosure varies across countries and in time. Our study shows a general low level of disclosure comparable to that of [El Halaby and Hussainey \(2015\)](#), ranging between 19.71 and 24.45 per cent over the entire period 2010-2014. Therefore, contrary to our expectations, the countries that are compelled to comply with AAOIFI’s accounting standards do not differ significantly the one from the other. Only Bahrain and Qatar are among the top five, but both are ahead of Palestine and Jordan, while Syria is in the middle and Sudan is among the last. This result is similar to the case of mandatory disclosure. In this category, we recall that the dimension “screening clients”(D1) is the most widely disclosed in the majority of countries with an average score of 82.68 per cent. From another perspective, the results show a higher level of disclosure when it comes to voluntary disclosure and concerns mainly “the charitable activities”; more surprisingly, Turkey, one of the secular countries of our sample, surpasses the whole. These rankings as well as the great variability found within the same country, as is the case with Saudi Arabia, Bahrain and Egypt, suggest that disclosure comes from an internal policy of the banks themselves, or from some of their characteristics. We noticed that the most revealing banks are national banks that apply the Islamic model and therefore have a Sharia board that ensures more respect for Sharia law (i.e. Bank Al Bilad and Al Jazzera Bank in Saudi Arabi). This is especially true, as we find that these banks pay more attention to mandatory rather than voluntary disclosure.

These results suggest that more attention should be paid, in the future, to the relevant internal authorities such as Sharia board and board of directors to explain the level of disclosure in the annual reports.

The implications of our study are multiple for the AAOIFI, the regulators such as central banks because in many countries (Bahrain, Jordan, Kyrgyz Republic, Mauritius, Nigeria,

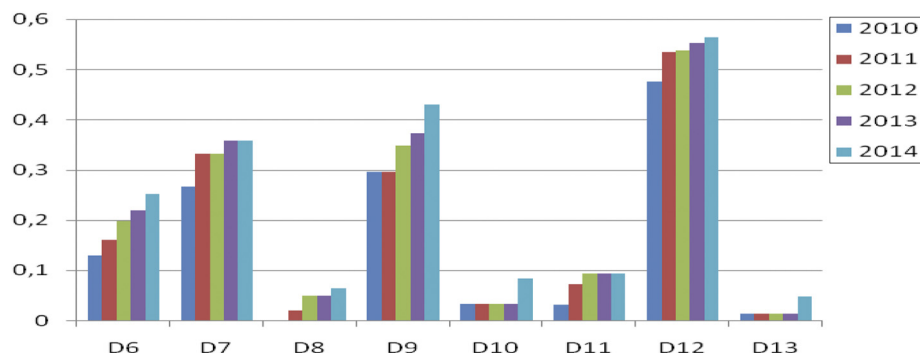


Figure 8. Average of voluntary dimension CSR over 2010-2014

Qatar, Oman Pakistan, Sudan, Syria and Yemen), their jurisdiction has made governance standard fully or partially mandatory, the managers of companies which, because of the financial globalisation, must comply with international standards, but also all those who use this information especially shareholders and customers.

The scope of this research can further be widened as we restricted our sample to only the Islamic banking sector in the MENA region. Future studies can be extended to other IFIs and other IBs across the world. They may also consider other methodological approaches such as interviews with managerial staff and stakeholders to enhance our understanding of this phenomenon. We can further apply a new classification of countries related to their Islamic models. Eventually, the identification of banks as national banks or in alliance with western banks could enlighten us on the differences of disclosure within a chosen country.

Notes

1. This standard which, initially, could have been adopted voluntarily by IFIs (according to Deputy Secretary General of AAOIFI) in 2017, was fully or partially adopted later as mandatory in certain jurisdictions of some countries like Bahrain, Jordan, Kyrgyz Republic, Mauritius, Nigeria, Qatar, Oman, Pakistan, Sudan, Syria and Yemen. <http://aaoifi.com/adoption-of-aaoifi-standards/>
2. Governance standard of AAOIFI, 2010, p. 71.
3. www.sustainability-reports.com
4. See appendix C, Governance Standard for Islamic Financial Institutions No. 7, AAOIFI, p. 89.
5. Recall here that Maali *et al.* (2006) developed a benchmark for social reporting made of 30 items representing ten dimensions based on an Islamic perspective of accountability, social justice and ownership that IBs were expected to provide. To the difference of the previous authors, Haniffa and Hudaib (2007) developed a benchmark of ideal ethical identity. The ideal ethical identity checklist instrument consisted of five themes (underlying philosophy and values, provision of interest-free products and services, restriction to Islamically acceptable deals, focus on developmental and social goals and subjection to additional reviews by the Sharia Supervisory Board (SSB)), which were extended along eight dimensions and 78 constructs.
6. See Governance Standard for Islamic Financial Institutions No. 7, AAOIFI, pp. 81-85.
7. The defined procedure of the IFI on avoiding the imposition of onerous contractual terms on clients who are in a weaker bargaining position relative to the IFI. The provisions ensuring that marketing campaigns and documents are ethically balanced. The conditions under which the IFI will defer collection of debt from insolvent clients.
8. The reasons for which the bank appropriated such amounts.
9. Quotas/targets and achievements for the year, and reasons for upward and downward revisions in quotas/target.
10. Declaration of the amount of the undelivered Zatkan. Disclosure of the opinion of the Sharia council on the aspects of zatkan that are not included in the Financial Accounting Standard No. 1.
11. Aggregate results of customer surveys demonstrating the overall quality of customer service and areas of improvement.
12. Reasons for upward and downward revisions in quotas/target.
13. Provisions of the policy/scheme, including conditions for those unable to repay the loans. Quotas/targets to increase internal and external Qard Hasan funding and achievements for the year in this regard. Reasons for upward and downward revisions in quotas/target.

14. Quotas/targets and achievements for the year. Reasons for upward and downward revisions in quotas/target.
15. AAOIFI (2010), "Corporate social responsibility conduct and disclosure for Islamic financial institutions" (Governance Standard No. 7), AAOIFI Bahrain. p. 75.
16. Before 2012, the bank was obliged to collect and manage the zakat. In this context, and in accordance with the recommendations of the AAOIFI, this bank disclosed the information whether it collects and pays zakat on behalf of its shareholders/holders of investment accounts, the statement of sources of zakat, the uses/beneficiaries of zakat and the computation of zakat. In 2012, the bank was relieved from this obligation.

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