Social reporting by Islamic banks: does social justice matter?

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Abstract

Purpose – This study examines social reporting by Islamic banks with special emphasis on themes related to social justice. By using critical theory and "immanent critique", the study attempts to explain and delineate reasons for disclosures and silences in Islamic banks' annual reports and web sites *vis-à-vis* social justice.

Design/methodology/approach – The approach taken was a content analysis of annual reports and web sites of 19 Islamic banks.

Findings – Islamic banks' disclosures emphasise their religious character through claims that they adhere to Sharia's teachings. Their disclosures, however, lack specific or detailed information regarding schemes or initiatives *vis-à-vis* poverty eradication or enhancing social justice.

Research limitations/implications – Limitations associated with content analysis of annual reports and internet web sites apply. This study focuses on Islamic banks' social roles. Further studies of banks' social roles in society in general are of interest.

Practical implications – Drawing attention of Islamic banks and other stakeholders to the gap between the rhetorical religious and ethical claims of Islamic banks and their activities (as depicted through their disclosures) opens up the possibility of a positive change in Islamic banks' actual social roles.

Originality/value – The study fills a gap in both social accounting and Islamic accounting literatures with its emphasis on social justice and poverty eradication. The study contributes to the very scarce literature linking religion (especially Islam), critical theory, social accounting and Islamic accounting. It goes beyond previous research in Islamic accounting literature by exposing contradictions in the Islamic banking industry's rhetoric regarding their social role in society.

Keywords Islam, Banks, Accounting, Finance, Social justice, Islamic banks, Islamic accounting and reporting, Poverty eradication, Immanent critique, Content analysis

Paper type Research paper

Introduction

Issues of social justice, poverty and wealth redistribution are matters of great concern to the world (Ahmed, 1991; Thakur, 1996). Reasons for poverty in society are complex and historical (Khan, 1994) with a significant dimension of these reasons being that many of the poor, who have the potential to save, do not have the channels to mobilize

The authors would like to thank Professor Lee Parker and the anonymous reviewers for their useful and constructive comments which have improved the paper significantly. The authors would also like to thank the participants at APIRA 2010 Conference in Sydney for their insightful comments.

Accounting, Auditing & Accountability Journal
Vol. 26 No. 6, 2013
pp. 911-945

0951-3574
DOI 10.1108/AAAJ-03-2013-1268

their savings into productive usage (Khan, 1994). Furthermore, those who need finance cannot obtain it due to the absence of developed financial institutions in rural areas or due to the reluctance of commercial banks to channel money to micro-entrepreneurs and the cash poor (Khan, 1994; Moore, 2001; Richards, 2006). Thus, the banking system, as a financial intermediary, has a significant influence on wealth distribution in society, issues of poverty elimination and social justice. Furthermore, recently the financial crisis has drawn significant attention to the socio-economic dimensions in finance and banking and their wider implications on the distribution of wealth in society (Hopwood, 2009; Sikka, 2009).

This study explores social reporting by 19 Islamic banks with special emphasis on disclosures related to social justice, poverty eradication and redistribution of wealth. Islamic banks market themselves significantly on ethical and social grounds (Kuran, 2006; Visser, 2009). They claim to build on Sharia (Islamic law) teachings, the main purpose of which is the attainment of social justice (Ahmed, 1991; Iqbal, 2002). In this context, the article provides an elaboration of the disclosures and a critique of the silences and omissions of Islamic banks' reports to issues of social justice. We use immanent critique to explore Islamic banks' claims of commitment to Sharia and social justice, and whether these claims are supported by disclosures of specific and actual activities (El-Gamal, 2006; Hamoudi, 2007; Kuran, 2006; Masocha and Weetman, 2007; Norreklit, 2003). The article therefore provides a perspective on the potential of Islamic banks to better fulfill these social justice potentials.

Accounting studies dealing directly with social justice and poverty issues are in need of further expansion (Ball and Seal, 2005; Kamla, 2009; Shapiro, 2009). This is the case even in social and environmental accounting studies (Ball and Seal, 2005). The latter mainly concentrates on disclosure categories such as the natural environment, employees, communities and customers (Ernst and Ernst, 1976 et seq; Gray *et al.*, 1995; Guthrie and Parker, 1990; Kamla, 2007; Unerman, 2000) with no specific emphasis on social justice or poverty eradication. Furthermore, social and environmental accounting literature has so far paid little attention to the banking industry (Branco and Rodrigues, 2008; Thompson and Cowton, 2004), and to non-Western contexts and perspectives (Parker, 2011). Additionally, despite the claimed theoretical concerns of Islamic accounting with issues of ethics and society, little attention has been given to poverty elimination, equality or social justice (Kamla, 2009; Maali *et al.*, 2006). This study attempts to fill these gaps in the literature by focusing on social justice and poverty eradication as central themes in researching social reporting by Islamic banks and beyond. The study is also unique in its attempts to employ critical theoretical lenses and immanent critique to Islamic accounting research and in its attempts to bring insights into the interface between religion (especially Islam) and critical theory (Kamla, 2009; Shapiro, 2009). In doing so, our research goes beyond the few previous studies on social reporting by Islamic banks in its emphasis on exposing the contradictory rhetoric in Islamic banks' ideals and activities. Highlighting such contradictions provides an opportunity for Islamic banks (and their stakeholders) to be self-consciousness of their actual social role and the claims they make to that role. This realisation, we hope, might promote change to Islamic banks' social role in the future.

The remainder of the article is structured as follows. Section two provides the theoretical foundations of the study. Sections three and four detail the importance of social justice in the activities of Islamic banks and financial institutions, and develop categories for social justice reporting by such institutions based on the Islamic perspective of social justice. Section five reports on the research methodology. Sections six and seven detail the findings of this study and their analysis, and the conclusions are provided in section eight.

Critical theory, immanent critique, social reporting rhetoric and Islamic banks

Despite the spread of Islamic banking globally, efforts to restructure the entire economy according to Islamic criteria have been limited to a handful of countries including Iran, Pakistan and Sudan (Kuran, 2006). Even in these countries efforts to pursue welfare policies are hindered because of globalisation and capitalism. Held and McGrew (2007) state that nation states have to accommodate the interest-based capital system where international institutions of global economic governance such as the World Trade Organisation (WTO), International Monetary Fund (IMF) and World Bank are acting as promoters of policies extending the hold of global market forces on national economies. Critical theorisation in accounting and finance questions the "allocative" efficiency of the market and emphasises how accounting and finance are implicated in the transfer of wealth between social classes in society (Arnold, 2009, p. 805). In critical accounting literature a number of studies have highlighted how globalisation is informed and advocates narrow capitalistic and hegemonic notions. Such notions may hinder the emergence or enhancement of local accounting and financial initiatives that counter capitalism and work for the interest of the less advantaged segments in society (Annisette, 2000, 2004; Arnold, 2005, 2009; Arnold and Sikka, 2001; Bakre, 2004, 2005, 2007; Caramanis, 2002; Gallhofer and Haslam, 2003, 2004, 2006, 2007). Gallhofer *et al.* (2011) elaborate how a Western style accountancy profession and market economy is creeping into the Arab and Islamic world and replacing possible radical and emancipatory local initiatives. Capitalism and globalisation are playing a role in hindering Islamic emancipatory alternatives and initiatives in accounting and finance mindful of social justice and care for the environment (Kamla, 2009; Kamla *et al.*, 2006)[1].

A core dimension of critical theory is "immanent critique" (Antonio, 1981; Held, 1980). Antonio (1981, p. 333) elaborates that immanent critique is a "necessary weapon in the struggle for progressive social change, because it provides a basis for critique within historical reality". Immanent criticism begins by re-examining an object's conceptual principles and assessing its implication and consequences (Held, 1980). The aim is to adjust the object's view of itself and aspires to open up the object to the possibility of radical change through assessment and reflection (Held, 1980). Marx used immanent critique to highlight the contradiction between concrete social formations of capitalistic conditions and their ideologies (Antonio, 1981). Critical theorists argue that even the elite in capitalist structures, concerned with protecting their interests and increasing their legitimacy, claim an ideology that seeks universal moral values like freedom, equality and justice (Antonio, 1981). The immanent critique method illuminates the contradiction between ideology and reality by highlighting inequalities and injustices that result from the power of capital. Antonio (1981, p. 338) believes that the elite attempt to deny these contradictions and "portray a false unity of the ideal and real".

In critical accounting research, corporate social reporting is often perceived as being captured and mobilized by corporations' managers (as society's elite) to portray "false unity" between societal expectations and their negative social and environmental consequences (Gallhofer and Haslam, 2003; Tinker *et al.*, 1991; Tinker and Neimark, 1987). Laine (2009) states that at the turn of the century social expectations of business became high in the West, prompting companies to employ rhetoric in their strategy and reporting to portray themselves as socially responsible citizens, and to convince the public that pursuing business-as-usual goals are in line with social responsibility and public interests (see for example Craig and Amernic, 2004; Hooper and Pratt, 1995; Mouck, 1992; Tregidga and Milne, 2006; Young, 2003).[2] Companies often use social disclosures to portray themselves in a certain light and gain legitimacy in society (Gray, 2001; Laine, 2009; Owen and Swift, 2001). Annual reports in particular are considered tools for corporations to employ rhetorical measures to represent themselves in a certain light (Laine, 2009).

Concerns are similarly emerging *vis-à-vis* rhetorical mobilisation of the Islamic banking industry of notions of social justice in Islam to portray themselves as ethical alternatives to conventional finance (El-Gamal, 2006; Hamoudi, 2007; Kamla, 2009; Kuran, 2006). By using critical accounting theory, this study examines Islamic banks' social justice disclosures and envisages a way forward for Islamic banks to play a more emancipatory social role in society.

Social justice as a core principle in Islam

For Thakur (1996) religion can play a significant role in advancing the cause of social justice through its emphasis on morality and spiritual visions necessary for attaining social justice in society. Many religions such as Christianity and Islam make claims that the main purpose of their message and teaching is to advance social justice in societies (El-Gamal, 2006).[3] Thus religion is well poised to challenge the view that getting rich and richer is in itself a virtue as no religion has ever taken this position (Thakur, 1996).

Mirakhor and Askari (2010), in establishing the theoretical foundations of socio-economic development from an Islamic perspective, maintain that the Qur'an uses two words for justice. *Qist* relates to appropriate human relations with other humans and the rest of creations. *Adl* is used to indicate "the action of Allah to place everything in its rightful place" (Mirakhor and Askari, 2010, p. 64). Thus, in Islam, the humans' inner balance and relation with God depend on their ability to achieve social solidarity, unity and mutual respect among each other. Mirakhor and Askari (2010) maintain that the studies that looked at the development of the Medina society under the leadership of the Prophet Muhammad provide evidence that the rules of governance, accountability, property ownership, distribution and redistribution of wealth, and rules regarding sources of government income and expenditure all indicate the importance of encouraging and enhancing justice in societies. Kamali (2002, p. xi) also maintains that examining the Qur'an's evidence on justice "leaves one in no doubt that justice is integral to the basic outlook and philosophy of Islam, within or beyond the Sharia itself". This understanding is so dominant in Islamic thought that the interpretation of what constitutes Sharia has focused largely on its role in achieving social justice. As social justice is perceived as an indisputable core aspect of the Islamic faith, gross inequalities of income and wealth are, therefore, in contrast to Islam's spirit (Ahmed, 1991). Countering poverty in community has been addressed through encouraging charity but most importantly it is achieved by rendering assistance to the poor that enables them to become self supporting (Ahmed, 1991). It was reported that the Prophet bought a needy man an axe to cut wood instead of just giving him charity to meet his immediate requirements (Ahmed, 1991). Therefore, the Islamic socio-economic system based on the teachings of Islam should establish that the collective duty of society is to provide all with the necessities of life but also to eradicate gross inequalities in income and wealth (Ahmed, 1991).

To establish such justice, Islam has rules that relate to fair and just earning of income such as the prohibition of interest; limiting profit earning in favour of equitable distribution; holding workers in very high esteem and opposing the exploitation of labor (see also Mirakhor and Askari, 2010). It also contains rules relating to the redistribution of wealth in society which is achieved by the payment of levies such as *khums* (on income) and *zakat* (on wealth). It also depends on concepts such as *infaq* (expenditures to improve society and please God), *qard hasan* (gracious loan without interest), *sadaqat* (payment to redress others' right to your wealth), and *waqf* (assets whose income flows are used to support building and maintaining public infrastructure) (Badawi, 1979; Kuran, 2003; Mirakhor and Askari, 2010)[4].

Islamic banks, social justice and eradication of poverty

Among the conditions exacerbating poverty is lack of access to finance (Burgess and Pande, 2004). Richards (2006) explains that 90 per cent of the world's self-employed poor – more than a billion people – lack access to basic financial services. Indeed, the European Union's (EU) Charter of Fundamental Rights has classified basic financial services as the basis for sustainable socio-economic development and social cohesion (Decker, 2004). By redistributing money from those who have it to those who need it, banking can change these people's lives (Richards, 2006). Hassan and Alamgir (2002, p. 125) state that the roots of poverty lie in that the poor are "systematically disorganised by economic, social and political relationships within which they are caught". The only long-term solution to the problem of poverty, therefore, lies in assisting the poor by increasing their awareness so that they can collectively demand escape from exploitation, and challenge the relationships that impoverish them. This, they explain, can only be done. Hassan and Alamgir (2002) maintain that over the last two decades the innovative microcredit programs run by the famous Grameen Bank and hundreds of non-governmental organisations (NGOs) have contributed to improving the quality of life of millions of people, mostly women. Despite evidence that access to microcredit by the cash poor and micro-entrepreneurs can make a difference to the quality of life in poorer areas and communities, commercial and conventional banking have generally shied away from microfinance programs and from direct contact with the poor (Hassan and Alamgir, 2002)[5]. Moore (2001) explains that banks in general are increasingly less willing to provide loans to the poor and are more geared towards higher income groups. The poor are usually perceived by conventional banks as high-risk borrowers due to the difficulties in assessing their credit worthiness and their inability to provide collateral to pledge against potential risk (Dusuki, 2008). Providing services to the poor was one of the main arguments for the formal creation of the Islamic banking sector.

The Islamic financing system is based on the teachings of Qur'an which prohibits the use of *riba* (interest) in financial transactions but encourages economic activities and earning profit, as long as the returns on investment are directly linked to the amount of risk taken, and the elimination of *gharar* (uncertainty) from the transactions (Aggarwal and Yousef, 2000). Iqbal and Mirakhor (2007) state that the prohibition of *riba* has two dimensions: one is to promote more risk-sharing contracts for commercial activities, and the other is to consider lending as a benevolent act. Preceding the formal commercial beginning of Islamic financing in the 1970 s, small scale limited scope interest-free institutions were tried between the mid 1940 s and 1960 s in Malaysia and Pakistan (Gafoor, 1996). These institutions were influenced by the European mutual loan experiments and their philosophies were based on initiatives to achieve social goals (Choudhury and Hussain, 2005; Maali *et al.*, 2006; Warde, 2000).

In 1974, the conference of foreign ministers of Muslim countries agreed to establish the Islamic Development Bank (IDB) with the aim of fostering economic development and social progress of Muslim countries in accordance with the principles of Sharia (Rammal and Parker, 2013; Saeed, 1996). Indeed, the bulk of early Islamic banks' legislative acts declared that their objectives are to follow Sharia principles and meet the socio-economic needs of society (Maali *et al.*, 2006). The first Islamic commercial bank, the Dubai Islamic Bank, was established in 1975 and since then Islamic banks have expanded worldwide, with the assets of the Islamic finance sector expected to reach the US$2 trillion mark by 2015 (Dubai International Financial Centre, 2010). The growth in Islamic banking has been fuelled by the increase in wealth of the oil-producing Muslim countries in the Middle East. The continued political turmoil and instability in the Arab world is forcing companies to explore investment opportunities in countries outside of the region (MacQueen, 2011). In a bid to attract the petrodollars investment from the Gulf nations, government and private-sector institutions in Muslim and non-Muslim countries have facilitated the establishment of Sharia compliant banks (Useem, 2002). Islamic financing products are offered by "pure" Islamic banks (full-fledged Islamic banks and Islamic subsidiaries that only deal with Islamic financing products) and via Islamic "windows" (a stand-alone branch of a conventional bank that offers Islamic financial products) (Hassan and Lewis, 2007). By prohibiting interest, and using profit and loss sharing products instead, the Islamic system provides greater opportunity for the poor to have access to credit (Iqbal, 2002).

The Islamic banking sector has been accused of indirect involvement in facilitating the transfer of funds of terrorist organisations (de Goede, 2003; Pollard and Samers, 2007). To counter this perception, Islamic banking sector has attempted to portray itself as the ethical and socially responsible financing option, and has tried to strengthen its reporting practices to demonstrate transparency in its operations (Khan, 2010). Islamic banks are expected to comply with both the rules and regulations set for the conventional banking sector as well as those that fulfil the Sharia requirements. The requirements for Sharia regulation in based on the suggestions made by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). Established in Bahrain in 1991, the AAOIFI is a not-for-profit body that prepares accounting, auditing, governance, ethics and Sharia standards for Islamic financial institutions. The organisation is supported by institutional members from 45 countries including central banks and financial regulatory bodies (AAOIFI, 2011). The standards issued by AAOIFI suggest the minimum number of advisors a Sharia board should have, and the role and responsibilities of Sharia advisors in Islamic banks (AAOIFI, 2011). The compliance with Sharia in Islamic banks is verified by the Sharia scholars hired by the banks (Algaoud and Lewis, 1997; Archer *et al.*, 1998; Ghayad, 2008;

Safieddine, 2009; Thomas, 2005; Usmani, 1998). The Sharia advisors operate as members of the Sharia Supervisory Board (SSB) of the financial institution. The activities of the SSB involve ensuring that the operations of the banks do not involve any dealings in prohibited industries (including interest based financing companies, alcohol and pork based products, and weapons manufacture and sales), and that the banks follow the ideals of equality and social justice (Abu-Tapanjeh, 2009; Choudhury and Hoque, 2006).

Maali *et al.*(2006) elaborate that key stakeholders perceive Islamic banks to have an equal social and economic roles. The majority of the Islamic finance and economics literature, as well as key people involved in the development of the industry, declare that Islamic banks and financial institutions adhere to Islamic Sharia principles of social justice and fairness, and provide an alternative to conventional banking and finance (El-Gamal, 2006; Kuran, 2006; Usmani, 1998). These prescriptions and expectations as well as the claims of the industry itself infer that Islamic banks are expected to report on their social activities (Haniffa and Hudaib, 2007; Maali *et al.*, 2006). Islamic banks are expected to disclose detailed information to the *ummah* (Muslim nation) about how their activities meet Sharia' objectives and enhance the wellbeing (and cohesion) of society (Al-Mograbi, 1996; Baydoun and Willett, 1997; Lewis, 2001; Maali *et al.*, 2006). There have been limited attempts made to address the issue of social justice and ethics in Islamic banks. Maali *et al.* (2006) is one of the few studies that concentrate on social reporting by Islamic banks. The study develops a content analysis benchmark for Islamic banks' social reporting. These include unlawful transactions, *zakat*, qard *hasan*, charity, employees, late payments and insolvent clients, the environment and other community involvement aspects. Similarly, Haniffa and Hudaib (2007) developed an Ethical Identity Index (EII) to explore disparities between Islam's ideals and disclosures by Islamic banks. The paper concludes that the majority of the banks explored "suffer from disparity between the communicated and ideal ethical identities" (Haniffa and Hudaib, 2007, p. 97; see also Harahap, 2003). Our study, while building on these previous studies, goes beyond them in its emphasis on social justice, equality, and poverty related disclosures. It also goes beyond previous studies in its attempts to analyse notions of rhetorical disclosures by Islamic banks regarding their adherence to Sharia and countering them by exploring the presence or absence of specific and detailed disclosures related to social justice. The benchmark and categories chosen for analysis are also inspired by religious and Islamic social justice requirements, as well as regulatory and industry expectations of banks and financial institutions' social roles[6].

Thus, the five categories included in this study are in line with Islamic principles, previous literature and industry led initiatives. In the following, we provide a description and justification of each category:

(1) *Adherence to Sharia:* as one of our objectives is to study claims of adherence to Sharia with specific disclosures about Islamic banks' actual social activities, we start with exploring adherence to Sharia disclosures by these banks. These disclosures go beyond the inclusion of SSB's opinion in the annual report to examining how banks report on their compliance with Sharia and its impact on their social role.

(2) *Funding socially motivated investments and projects:* Sait and Lim (2006) state that Islamic banking should be about facilitating socio-economic activities,

commerce and investment as well as contributing to economic growth. These include financing infrastructural projects, incorporating social and environmental dimensions in investments decisions and giving priority to long-term projects, grass-root investments and non-financial criteria (El-Gamal, 2006; Khan, 1994; Kuran, 2006). In our content analysis we look for evidence for such considerations.

(3) *Access to credit and schemes for financial inclusion of the poor and disadvantaged:* Many argue that Islamic banks have a role to play in the eradication of poverty and enhancing equitable distribution of wealth (Ahmed, 1991; Sait and Lim, 2006). For instance, the profit and loss sharing agreement of *mudarabah* emphasizes the profitability of the project rather than its ability to pledge collateral. This provides a more effective way of using the banking system to redistribute wealth from those who have it to those that do not and to achieve the social justice aims of Islamic society (Ahmed, 1991; Kuran, 2006). Furthermore, Islamic banks can contribute to the development of women and cash poor entrepreneurs. The role of Islamic banks in poverty elimination can also include microcredit schemes; managing small industries' funds for rural areas; collaborating with mosques; NGOs, other private-sector organizations in reaching the poorest in society and improving skills of staff related to dealing with the disadvantaged and running educational institutions (El-Gamal, 2006; Khan, 1994).

(4) *Community contribution, zakat, charitable activities and donations:* Disclosures under this category include information on *zakat* funds and their uses as well as their charitable activities and areas where they contribute. *Zakat* and charity are considered key components in the Islamic economic system to address poverty in society. One of the five pillars of Islam is *zakat*, which, as discussed in previous sections, is the obligatory transfer of alms by the rich to the poor (Badawi, 1979). According to Shirazi (1996), a well-organized system of *zakat* was in practice during the early years of Islam where a considerable portion of the wealth of the rich was automatically redistributed among the poor. In countries like Pakistan *zakat* has traditionally been a compulsory, annual deduction paid by Muslims at the rate of 2.5 per cent on the value of specified financial assets on the first day of Ramadan. It is collected from persons who qualify as *Sahib-e-Nisab* (anyone with savings of at least 86 grams of gold). The Qur'an advocates the payment of *zakat* (alms) on many occasions (chapter 2, verse 111 and chapter 22, verse 79). However, as discussed earlier these initiatives on their own are not sufficient for addressing issues of poverty and social justice. Empowerment of the poor to have access to paid work and wages are superior to short-term emphasis on charitable activities.

(5) *Qard hasan:* Farook (2008) states that concepts such as *qard hasan* in Islam provide great opportunities for Islamic banks to assume a special social role in society. *Qard hasan* is a gratuitous loan given to the needy for a fixed period without requiring the payment of interest or profit. Farook (2008) explains that by implementing *qard hasan* in their institutions, Islamic banks can channel funds from depositors and customers and allocate them to those who need them most (Maali *et al.*, 2006).

Research methodology

This study examines reporting by 19 Islamic banks regarding their social justice role in the societies they operate in. For this purpose, the study uses content analysis to explore if certain themes related to social justice are present (or absent) from Islamic banks' annual reports and web sites (see Bauer, 2000; Holsti, 1969 for discussions of the use of content analysis methods in social science). It also wishes, through the use of immanent critique, to highlight claims made by Islamic banks regarding their adherence to Sharia and social justice and counter these claims with the levels and quality of disclosures related to detailed and specific social activities. It is important here to note that companies' disclosures are not always an accurate reflection of their actual events and practices (see for example Ingram and Frazier, 1980; Ullman, 1985). Companies, however, identify what they perceive to be their most important accomplishments and objectives through their disclosures (Ingram and Frazier, 1980). In addition, as far as social reporting is concerned, Unerman (2000) maintains that a key assumption informing many studies is that the volume of disclosures signifies the importance of these issues to the company. In the same vein, Haniffa and Hudaib (2004) state that disclosure in annual reports and other media such as the internet are key venues for Islamic banks to demonstrate that their activities are in line with Islamic teachings and Sharia.

Content analysis has been widely used in social accounting research (Gray *et al.*, 1995; Guthrie and Parker, 1990; Kamla, 2007; Milne and Adler, 1999; Parker, 2005). These studies analyse the quality of the information disclosed in annual reports, and the acknowledgement of certain words and themes within the textual material (Beattie *et al.*, 2004; Brennan, 2001). Annual reports are important sources of information as they are systematically produced, widely accessible and communicate details about the companies' operations (Silverman, 1993). The use of content analysis to study annual reports is, therefore, justified because they ensure that the study is comparable with previous studies in the area and from year to year (Ahmad and Sulaiman, 2004; Gray *et al.*, 1995; Unerman, 2000). Annual reports, according to Unerman (2000), provide credible information, which in turn strengthens the findings. The importance of the annual report also extends to reflecting the organisation's "historical social consciousness" and plays a role in forming a world view and social ideology that legitimize certain social conditions (Macintosh, 1990, p. 168; Tinker and Neimark, 1987). For Laine (2009) annual reports are key communication tools to portray companies' strategic choices of rhetoric.

Although content analysis is a popular method in analyzing various media including newspaper and political speeches, only a few studies have previously applied this methodology to analysis of web sites (Hwang *et al.*, 2003). However, with the growing emphasis on communication via electronic mediums, there has been an increase in such studies especially in the accounting literature. Fisher *et al.* (2004) quote the International Accounting Standards Committee (IASC) which states that in the future business reporting will move entirely to the web as the primary format of distributing information. Such a move has prompted many researchers to move their attention to company web sites for analysis of textual material (Hwang *et al.*, 2003). The analysis of web sites has a number of challenges and limitations in the application of the content analysis methodology (see McMillan, 2000). Most of these issues identified by McMillan (2000) relate to the "structuring content analysis method", which is more relevant to inductive studies using the summative content analysis technique. As the current study applies the explicative content analysis technique and uses the deductive approach, the data collection and analysis is focused on the themes that have previously been identified.

The 19 annual reports and web sites were analysed to capture the meanings of disclosures, and to allocate them to suitable categories. Applying the conceptual and relational analysis techniques provided insights into whether these practices are widely used by the banks or are scarce, rare or absent (Weber, 1990). We used individual themes as units of analysis, which allowed us to look for issues related to social justice in our data. We reviewed the annual reports of the 19 banks looking for any disclosure related to these social justice themes. We also reviewed all areas in the web site that we thought might include related information (Paisey and Paisey, 2006). These included Chairman's statements, vision statements, about the bank sections, employee sections, social responsibility sections, financial statements, products, and projects sections. We also used the search facility on the web site to search for key words (with all their possible spellings for Arabic words) like "poverty", "zakat", "charity", "qard hasan", "microfinance", "microcredit", "projects", "employees", "Sharia" and so on. We then developed codes to help analyse the themes found in the annual reports and web sites[7]. A coding scheme was developed and validated early in the analysis process. To test for the clarity and consistency of our categories, we first coded our sample data and checked it through an assessment of inter-coder agreement. Once sufficient consistency had been achieved, we applied the coding rules to the remainder of the annual reports and web sites (Miles and Huberman, 1994; Tesch, 1990).

Information relating to the 19 Islamic banks analysed in this study is provided in Table I. All the banks selected, barring one, were from Muslim countries and the sample only included pure Islamic banks and hence Islamic windows were excluded. We were keen to include in the sample banks operating in different regions of the world in order to examine whether quality and themes reported were different between different countries *vis-à-vis* socio-economic context. Our emphasis has been on large Islamic banks operating in different parts of the world as they are most likely to offer voluntary disclosures (Adams and Harte, 1998). Our starting point was the Islamic Business and Finance Network web site (IBF).[8] It was clear, however, that some parts of the world like the Gulf States (especially Bahrain) have larger and more Islamic banking presence than others.[9] From the Arab World 11 banks were included. Nine of these were from the Gulf States area (where the Islamic banking phenomenon is most dominant amongst regions) and two from other Arab countries (Jordan and Egypt) where the phenomenon is becoming increasingly popular but not at the same rate as in the Gulf States.[10] There are a number of reasons for the selection of these banks. The banks from the Gulf region include some of the oldest Islamic banks, including the first commercial Islamic bank: Dubai Islamic Bank. The Gulf States region is also home to the largest regulatory organisation for Islamic financial institute, AAOIFI, which is located in Bahrain. Two banks were selected from Indonesia, the largest Muslim majority country in the world. One bank was selected from Malaysia, home of the Islamic Financial Services Board (IFSB). Three banks were selected from Pakistan, the first nation to declare itself an Islamic Republic and the second most populated Muslim country. One bank was selected from Bangladesh, and one from the UK[11] (the UK bank is now owned by a Qatari Islamic bank). Our sample was limited to banks that had their annual reports in English

Table I. List of banks analyzed

Name of bank (acronym used in article)	Country	Year of report	Est. year	Ownership (major shareholders)
Abu Dhabi Islamic Bank (ADIB)	UAE	2008	1997	Ordinary Shares
Al Arafah Islami Bank Limited (AAIB)	Bangladesh	2010	1995	Ordinary Shares
Al-Baraka Islamic Bank (BIB)	Bahrain	2007	1998	Ordinary Shares
Al Rajhi Bank (ARB)	Saudi Arabia	2009	1988	CEO, Board Members and Executives 43.02 per cent
Al Salam Bank Bahrain (ASBB)	Bahrain	2008	2006	Ordinary Shares
Arab Banking Corporation Islamic Bank (ABC)	Bahrain	2009	1998	Ordinary Shares
Bahrain Islamic Bank	Bahrain	2008	1979	Ordinary Shares
Bank Islam Malaysia Berhad (BI)	Malaysia	2008	1983	BIMB Holdings 51 per cent, Dubai Islamic Investment Group 40 per cent, Tabung Haji 9 per cent
BankIslami	Pakistan	2009	2004	Assoc. Companies 45.89 per cent, Directors, CEO 19.6 per cent; General public 11.02 per cent
Bank Muamalat Syariah (BMS)	Indonesia	2009	1991	Islamic Develop. Bank 28 per cent, Boubyan Bank 21.28 per cent, Atwill Holdings 15.32 per cent
Dawood Bank[a]	Pakistan	2008	2007	Financial Institutions 45.3 per cent, Individuals 27 per cent, Investment Companies 17 per cent
Dubai Islamic Bank (DIB)	UAE	2009	1975	Dubai Govt. 29.8 per cent; Lootah 7.2 per cent
Faisal Islamic Bank of Egypt (FIB)	Egypt	2009	1979	Ordinary Shares
Islamic Bank of Britain (IBB)[b]	UK	2008	2004	HRH Sheikh Hamad Al Thani 17.37 per cent, Qatar Islamic Bank 14.63 per cent
Jordan Islamic Bank (JIB)	Jordan	2008	1978	Ordinary Shares
Meezan Bank	Pakistan	2007	2002	Associated Companies 81.73 per cent
Qatar Islamic Bank (QIB)	Qatar	2008	1991	Ordinary Shares
Syariah Mandiri (SM)	Indonesia	2009	1999	PT Bank Mandiri (99.9 per cent)
Unicorn Investment Bank (UIB)[c]	Bahrain	2009	2004	Ordinary Shares

Notes: [a]In July 2011, Dawood Islamic Bank Limited changed its name to Burj Bank. [b]Ownership shown according to 2008 Annual Report. Qatar Islamic Bank made capital injections into the bank in 2010 and 2011 to boost their ownership. [c]In October 2011, Unicorn Investment Bank changed its name to Bank Alkhair and were made available on the internet (Haniffa and Hudaib, 2007). The annual reports are related to the years 2007-2010 and were downloaded as Portable Document Format (PDF) files from the banks' web sites. The content on the web sites of the banks were also examined in the period between October 2009 and October 2011. Table I also provides details about the banks' year of establishment, year of the report analysed, and their ownership structures.

This article adopts the methodology used by Guthrie *et al.* (1999) and Brennan (2001) and analyses the annual reports for disclosure of ten items under the five categories described in section 4 (see Table II). Our categories are based on our understanding of the literature as presented in the previous section as well as previous research done by Maali *et al.*(2006), Haniffa and Hudaib (2007), Global Reporting Initiative (GRI) (2007, 2010) as well as the social reporting literature in general (Branco and Rodrigues, 2008; Coupland, 2006; Douglas *et al.*, 2004; Gray *et al.*, 1995; Thompson and Cowton, 2004; Tsang, 1998; Zeghal and Ahmed, 1990). By developing the categories from extant literature, we have credible, transferable, and dependable categories which can be analysed and make our findings generalizable (Carley, 1990). Guthrie *et al.* (1999) in their study used a four-way numerical coding system whereas Brennan (2001) uses a two-way coding system. This study replicates Brennan's (2001) two-way 0:1 coding system where:

- 0 = Items did not appear in the annual report; and
- 1 = Items appear in the annual report.

Table II.
Frequency of reporting Islamic social justice attributes in annual reports

	Disclosing banks (making at least one disclosure)	Disclosing banks as a percentage of total sample	Number of disclosed sentences (amount)	Disclosed sentences as a percentage of all disclosed sentences
Reference to Sharia	19	100	155	39
Funding socially motivated investments and projects	8	42	61	15.4
Access to credit and schemes for financial inclusion of the poor and disadvantaged				
Microcredit and microfinance schemes	5	26	24	6
Servicing of rural community	2	10.5	10	2.5
Schemes for women's empowerment[a]	1	5	4	1
Engagement with mudarabah schemes	18	95	33	8.3
Training schemes for bank staff relating to helping the poor	3	15.8	4	1
Community contribution, zakat, charitable activities and donations				
Zakat collection/disbursement	16	84	51	13
Charitable activities/donations	18	95	41	10.3
Qard Hasan	11	58	14	3.5
Total			397	100

Note: [a]Al Rajhi's women empowerment schemes are mentioned on the company's web site but not in the annual report

The study focuses on exploring, understanding and interpreting the meanings within the textual material (annual reports and web sites) (Krippendorff, 2004; Neuendorf, 2002). It utilizes the explicative and interpretive content analysis techniques (see Mayring, 2000; Zhang and Wildemuth, 2009), where the researcher clarifies ambiguous, contradictory passages or even silences found in the material (Flick, 2002; Weber, 1990). In addition, the study also measures the amount of disclosure by using the sentence counting technique used by Hackston and Milne in their *AAAJ* paper (Hackston and Milne, 1996). The counting of sentences is considered an appropriate technique when the emphasis is on the meaning of the disclosure rather than merely focusing on how many times a particular word is mentioned in a report (Abeysekera and Guthrie, 2005; Milne and Adler, 1999). Measuring the amount of disclosures through sentence counting gave an overall picture of the social justice related practices of the Islamic banks in the sample. The results of the analysis of the banks' annual reports are presented in Tables II and III.

To measure the total number of pages these disclosed sentences would constitute, we averaged the total number of sentences per page in the annual reports of the banks. We found that on average there were 25 sentences on each page in the reports and used this measure to calculate total disclosure. As shown in Table III, the 397 sentences of disclosure represented an average of 21 sentences per report. The maximum disclosure by any single bank was 40 sentences. A total of 15.85 actual measured pages were disclosed representing an average of 0.84 pages, with the most being disclosed by any one bank being 1.6 pages. Detailed findings and discussion on the findings are presented in sections 6 and 7.

Findings

Here we introduce our findings under the five categories. Under the first category we elaborate on the banks' disclosures relating to Sharia and notions of fairness and social justice. The other four categories bring out the themes disclosed and/or silences/scarcity of disclosures related to specific actual social justice activities – linking these to concerns expressed in previous studies *vis-à-vis* the lack of empirical evidence of banks' actual social justice related efforts (El-Gamal, 2006; Hamoudi, 2007; Kuran, 2006; Visser, 2009). Section seven provides broader analyses of the findings linking them further to theory, context and literature.

Adherence to Sharia disclosures

Islamic banks significantly market and promote themselves on the grounds that they operate according to Sharia's teachings and values (El-Gamal, 2006; Kuran, 2006; Visser, 2009). In Table II we see that the banks' main disclosures relate to their adherence to Sharia principles. In total 397 sentences were counted in 19 annual reports, out of which references to Sharia added up to 39 per cent of total disclosures.

	Sentences	Measured pages
Total	397	15.85
Average	20.9	0.84
Minimum	8	0.32
Maximum	40	1.6

Table III. Total amount of disclosure in annual reports

Table II shows that all the banks analysed in this study claimed that their activities are carried out according to Islamic values and Sharia. Abu Dhabi Islamic Bank (ADIB), for example, explained on its web site under the heading "core values" that the bank is "committed to Islamic ideals and to rules of Shari'a in all of our activities" (Abu Dhabi Islamic Bank web site, 2009). Al-Rajhi Bank (ARB) states that all of its products and services delivered are in line with Sharia with a focus on "work ethics, wealth distribution and social economic justice" (Al Rajhi Bank, 2009; Al Rajhi Bank web site, 2010). Similarly, Bank Islam (BI) refers to Sharia with reference to the pioneering role of the bank. BI's mission and vision statements also reflect the emphasis on Sharia while the bank's logo (which incorporates a crescent embracing the word "Islam") is meant to demonstrate the organisation's commitment to advocate a banking system based on Sharia (Bank Islam web site, 2009). Pakistan's BankIslami also refers to its logo to demonstrate the emphasis on Sharia. The bank's web site claims that the green crescent in the logo represents the compliance of all business activities in line with Sharia (BankIslami web site, 2010). Many of the banks reported that such adherence to Sharia principles have ethical and social implications for their activities. For instance, Meezan Bank explains in its vision and mission statements that the bank aims to "facilitate the implementation of an equitable economic system, providing a strong foundation for establishing a fair and just society for mankind" (Meezan Bank web site, 2009).

Some banks referred to Sharia on their web sites and annual reports without explaining what compliance with Sharia principles meant for their activities. Arab Banking Corporation Islamic Bank (ABC), Bank Muamalat Shariah (BMS), Al Salam Bank Bahrain (ASBB), Faisal Islamic Bank (FIB), Unicorn Investment Bank (UIB) and Bahrain Islamic Bank did not elaborate on how the principles of Sharia affect their business activities (Bahrain Islamic Bank web site, 2010; Bank Muamalat Syariah web site, 2010; Unicorn Investment Bank web site, 2010). However, a number of banks indicated on their web sites and annual reports that such adherence to Sharia's ethics in their activities makes Islamic banking in general, and their organisation in particular, a desirable "alternative" to conventional banks (Al Baraka Islamic Bank Bahrain, 2007; Al Baraka Islamic Bank Bahrain web site, 2009; Islamic Bank of Britain web site, 2009). These banks maintain that such emphasis on "ethics", "community" and "fairness" means that Islamic banking is not only an alternative choice for Muslims but also for non-Muslims who wish to save and invest their money ethically. Indeed Meezan Bank's annual report goes further to include a quote by the founding leader of Pakistan, highlighting how Islamic economics (including banking) are a solution to humanitarian problems:

> The economic system of the West has created almost insoluble problems for humanity and to many of us it appears that only a miracle can save it from disaster that is now facing the world. It has failed to do justice between men and eradicate friction from the international field [. . .]We must work our destiny in our own way and present to the world an economic system based on the Islamic concept of equality of manhood and social justice (Muhammad Ali Jinnah on the occasion of the opening ceremony of the State Bank of Pakistan on July 1, 1948; Meezan Bank, 2007 p. 9).

While rhetoric of adherence to Sharia and consequently social justice was widely employed, the banks did not elaborate in how these notions are incorporated and translated into the bank's activities (other than appearing to avoid interest and having *zakat* funds). The most important dimension of assurance (and sometimes it seems the only one) is the role of the Sharia Supervisory Boards (SSBs). The SSBs role in this context is often mentioned to assure the reader that the SSB in the bank acts as a mechanism to audit and ensure the compliance of banks' operations with Sharia (Rammal, 2006). However, our findings show that the SSB's report on most occasions provided very brief and general statements about the compliance of the bank's activities with Sharia. In most instances these statements concentrated on interest bearing transactions and *zakat* payments. Such a statement which follows is typical:

> . . . based on the report of our representative and representations received from Management, in our opinion the transactions and the products entered into by the Bank during the period from 1 January 2008 to 31 December 2008 are in compliance with the Islamic Sharia'a rules and principles and fulfil the specific directives, rulings and guidelines issued by us. We beg Allah the Almighty to grant us all the success and straightforwardness (Islamic Bank of Britain, 2008, p. 7).

From the previous, Islamic banks in our study have widely disclosed on their commitment to Sharia principles and often used this disclosure to distinguish themselves from conventional banks on social and ethical grounds. SSBs' statements and reports seemed to be significant tools in convincing readers that this is the case. Visser (2009) states that Islamic banks are keen to market themselves as adherents to Sharia principles and as providers of an ethical financial alternative to all. Thus, Sharia related disclosures highlighted in our study constitute what the banks seek to portray as their ideals and guiding principles (see also Haniffa and Hudaib, 2007). In the coming sections we will explore, assess and reflect on whether disclosures by Islamic banks indicate that such statements translate into actual actions aimed at satisfying Sharia's requirements for social justice and equality, and making Islamic banks' proclaimed ideals a reality.

Funding socially motivated investments and projects

In light of the strong commitment by Islamic banks towards Sharia's ethical and social dimensions, Islamic banks would be expected to give priority to projects and investments that have social emphases and are geared to enhance equality and social justices in societies. Our findings reveal that although 15.4 per cent of all disclosed sentences were devoted to this topic (see Table II); banks in our sample disclosed little in the sense of clear policies toward funding projects or investments. The majority of the eight banks that disclosed under this category concentrated on activities that the banks would not engage in because they are perceived as being prohibited by Sharia. For instance, ADIB's web site states that the bank considers ethics to be "paramount" when engaging in commercial activities (Abu Dhabi Islamic Bank web site). Beyond this, a number of banks provided general statements regarding their commitment to projects that benefit the country and the public interest but very few banks provided specific details of their investment policies or details of projects they are engaged in.

Some banks in our study mentioned one or two projects that satisfy such socially driven criteria. Jordan Islamic Bank (JIB), for instance, provided information about investing capital in 32 companies whose activities "comply with the rules of Islamic Sharia' and which produce goods and services of public interest for the national community and economy" (Jordan Islamic Bank, 2009; Jordan Islamic Bank web site, 2009). However, exploring the quantitative information in detail reveals that investing in public services and facilities amounts to only 0.64 per cent of the JIB's total investments. The majority of JIB's investments (up to 67 per cent) go to general trade, construction and real estate (Jordan Islamic Bank, 2009). Our study, in general, found very little evidence of project financing by the banks examined, which is consistent with Kuran's (2006) findings that many Islamic banks have invested in real estate and in general preferred trade finance to project financing. Kuran (2006) maintains that even when Islamic banks engage in project financing, they usually favour short-term and safe projects rather than long-term projects, which bring with it uncertainty.

In general it could be argued that apart from general statements made by a few banks in our study, there is little evidence that Islamic banks do actually favour socially driven projects over other commercial ones. For instance, there were no disclosures that would suggest that Islamic banks tend to favour financing labor-intensive firms or about giving more attention to non-financial criteria over financial ones. These findings back Kuran's (2006) claim that Islamic banks do not operate very differently from conventional banks when it comes to investments and funding activities. Similarly, a report by the Islamic Finance News (2008) web site maintains that there is so far lack of funding for grass root and long terms projects especially in Africa and Asia by Islamic banks. This, the report maintains is a missed opportunity by Islamic banks as Islamic banks can make a real difference, especially in Africa and Asia, through funding infrastructure projects. As Africa suffers from a shortage in investment funds, Islamic banks financed from the Gulf can bridge this gap (Islamic Finance News, 2008). We also did not find evidence that Islamic banks tend to favour long-term projects over projects that are aimed at quick financial returns, or evidence about social and environmental concerns. Indeed, judging from the disclosures we examined, environmental concerns do not seem to be on the agenda of Islamic banks. These findings are similar to Kamla's (2007) observation of the very low levels of environmental related disclosures by Arab companies including Islamic banks. While environmental disclosure is usually provided by environmentally-sensitive industries (Aerts and Cormier, 2009), banks can report on their consideration of environmental issues when investing in these industries or providing loans to these industries. Indeed there are increasing calls for banks to do so, and the GRI guidance for financial institutions require such disclosures (eg. Branco and Rodrigues, 2008; Coupland, 2006; Douglas *et al.*, 2004; Thompson and Cowton, 2004; Tsang, 1998; Zeghal and Ahmed, 1990). These omissions also contradict the holistic nature of Islamic teachings (Kamla *et al.*, 2006)[12]. Much of the Islamic finance literature stresses the important role of Islamic finance in funding socially and environmentally viable projects and, therefore, achieving social justice (Khan, 1994; Kuran, 2006). Disclosures by Islamic banks in our study, however, indicate that such projects do not actually constitute a significant portion of Islamic banks' actual operations. Furthermore, despite Islamic banks' declarations of commitment to Sharia's teachings, these seem not to translate into commitments to fund socially orientated projects, at least as far as indicated in their disclosures.

Access to credit and schemes for financial inclusion of the poor and disadvantaged

This section is concerned with exploring disclosures provided by the 19 banks indicating their efforts to include disadvantaged segments in society into their schemes and activities. It seeks information on issues such as microfinance schemes, branches in rural areas and other schemes dedicated to the inclusion of women and cash-poor entrepreneurs. It also seeks disclosures related to the use of schemes such as *mudarabah* financing. Our findings exposed a critical silence and scarcity of disclosures by the banks investigated on these issues (see Table II). Only a few and modest exceptions can be mentioned here. For instance, Bank Islam Malaysia (BI) mentions microfinancing which "was designed to assist small business gain easy access to fast and hassle free financing facilities with minimum documentation" (Bank Islam, 2008, p. 27). The bank does not disclose anything further about these facilities. Similarly, JIB provided brief information on funds given to craftsmen's businesses. The bank web site and annual report explained that 77 projects were financed with a total amount reaching 1.7 million Jordanian Dinar (US$2.4 million) (Jordan Islamic Bank web site). No further details, however, were provided on these projects. UIB's annual report announces the bank's achievement in winning the Maqasid Al Sharia CSR award (which is backed by the AAOIFI) for the best Islamic Insurance Company for their charitable insurance project named T'azur Sadaqah (Unicorn Investment Bank, 2009).

Only Al-Arafah Islami Bank (AAIB) and Dawood Bank in our sample provided information that focused on the servicing of rural areas, where obtaining finance is difficult due to a lack of presence of financial institutions. Dawood established the Rural Business Centre while AAIB has been offering microcredit facilities for SMEs in rural areas, including the Grameen Small Investment Scheme (GSIS) aimed at bringing about balanced socio economic development in Bangladesh (Al-Arafah Islami Bank Limited, 2010; Al-Arafah Islami Bank Limited web site, 2011; Dawood Islamic Bank Limited, 2008; Dawood Islamic Bank web site, 2009).

As far as women's empowerment related disclosures are concerned, women's issues are on most occasions limited to commercial matters concerning 'ladies banking' and dedicated bank sections only for ladies. Meezan Bank in Pakistan explains that the service provides 'an exclusive banking area as per the set Shariah principles for our lady customers in a more comfortable environment' (Meezan Bank web site). Similarly, ADIB's annual report and Dubai Islamic Bank's (DIB) web site explain the benefits of women's or ladies' banking (Abu Dhabi Islamic Bank, 2008; Dubai Islamic Bank web site, 2009). These disclosures about 'ladies banking' indicate banks' sensitivity to cultural issues in some Muslim countries in respect to segregation of gender (Haniffa and Hudaib, 2007). They, however, fall short of providing specific information related to providing finance and funding for women from disadvantaged backgrounds, or about employing *mudarabah* financing in empowering women.[13] Two exceptions are the ARB and AAIB. ARB actively collaborates with the Women's University in preparing diplomas in the fields of body and hair care and other related fields. This activity is meant to empower women in the society who would be able to support themselves and their families with the new professional skills they gain. ARB also reports on their activities that promote education and health for the disadvantaged groups in the society (Al Rajhi Bank web site, 2010). AAIB's annual report refers to their Grameen Small Investment Scheme and links it to the empowerment of women entrepreneurs especially in the rural areas (Al-Arafah Islami Bank Limited, 2010). This scheme, they claim, is aimed at making women entrepreneurs economically independent, which according to the bank is an area of priority for them (Al-Arafah Islami Bank Limited, 2010).

The analysis of the disclosures provided by the 19 Islamic banks reveal that these organisations have missed the opportunity to act as true facilitators of microfinance or genuine *mudarabah* providers for small entrepreneurs and businesses. The findings indicate that microfinance constitutes very little of Islamic banks operations, and is acknowledged by BankIslami's Sharia advisor, who in the annual report recommends that the bank pay more attention to the development of microfinancing, agricultural financing and educational financing (BankIslami, 2009). Furthermore, a number of studies also maintain that interest-free loans contracts are scarce in Islamic banks (see for example Dar and Presely, 2000; El-Gamal, 2006; Kuran, 2006; Obaidullah, 2008). Our content analysis also revealed that while the banks are keen to point out their generous training schemes for staff,[14] there was little evidence with only three banks claiming that any of these schemes are directed towards facilitating staff to deal with customers or clients from poorer backgrounds. Khan (1994) explains that such training is necessary if Islamic banks desire to play a significant role in poverty eradication. Table II shows that women entrepreneurs and training of staff were the least disclosed areas in the annual reports (only four sentences for each area or 1 per cent of total disclosed sentences).

Community contribution, zakat, charitable activities and donations

The empowerment of the disadvantaged and the poor through financing schemes is in-line with making social justice a core value of Islamic banks and with providing long-term solutions to poverty issues. With the exception of Islamic Bank of Britain (IBB), all other banks in our study mentioned *zakat* fund or charitable donations on their web sites and in annual reports, with the percentage of sentences devoted to these topics in banks' annual reports reaching 23.3 per cent (see Table II). Dubai Islamic Bank's (DIB) web site explains the working of the *zakat* fund which was established in 1975: "the Bank set up the zakat fund to channel the zakat from the bank funds, such as reserve amounts and forwarded profits. The fund also collects the zakat of those clients who wish to distribute it on their behalf" (Dubai Islamic Bank web site). Bahrain Islamic Bank's annual report disclosed the payment of *zakat* and charity under the titles of "philanthropic activities" and "aid to needy families". According to the bank's annual report, the social responsibility was discharged through *zakat* and other charitable activities (Bahrain Islamic Bank, 2008). For Arab Banking Corporation (ABC), their social responsibility is discharged through the payment of *zakat* and other charitable activities that are suggested by the bank's SSB (Arab Banking Corporation Islamic Bank, 2009; Arab Banking Corporation Islamic Bank web site, 2010). BI's web site details the amount of *zakat* that the bank contributed (RM 1 million or US$332,500) during the financial year which was distributed to: "orphanages, single mothers, students in public and private institutions of higher learning, non profitable organisations as well as charitable organisations" (Bank Islam web site). Faisal Islamic Bank's (FIB) annual report and web site provide detailed information on how the amount of *zakat* was distributed for use in programs such as the establishment of a vocational training centre for those who qualified for *zakat,* and an orphanage that commenced its activities in January 2006 (Faisal Islamic Bank of Egypt web site, 2010). The report also reveals that *zakat* worth L.E. 159.2 million (US$26.6 million) was collected of which L.E. 36.4 million (US$6.08 million) were funds contributed by the bank, and the remaining balance came from investors, account holders, grants, donations and other similar sources (Faisal Islamic Bank of Egypt, 2009). Furthermore, barring Al-Baraka Islamic Bank (BIB) and Dawood, all banks in this study provided disclosures regarding their charitable activities (Dubai Islamic Bank, 2009; Qatar Islamic Bank, 2008; Qatar Islamic Bank web site, 2009; Syariah Mandiri web site, 2010). These charitable activities included education and knowledge transfer, distribution of food and water to the needy, donations of machines and buildings especially for mosques, health care, funds for weddings and *Hajj* (pilgrimage to Mecca made by Muslims during the last month of the Islamic calendar) or *Umra* (non-mandatory pilgrimage made by Muslims to Mecca) trips. In the case of Bank Muamalat Syariah (BMS), the *zakat* and *qard hasan* funds received by the bank are channeled through to the *Zakat* Management Board, which acts as a National *Zakat* Management Board. Therefore, the bank is not directly involved in the management of the *zakat* and *qard* hasan funds (Bank Muamalat Syariah, 2009). Syariah Mandiri's (SM) charitable activities are divided into the categories of educational programs, health improvement programs, social/culture programs, and environmental preservation program (Syariah Mandiri, 2009). ASBB claims that they "actively seek ways to aid society and enhance the quality of life for everyone through its support of charitable, educational, medical, scientific, cultural, social and environmental organisations" (Al Salam Bank web site, 2010). The bank elaborates on their activities by highlighting the efforts in establishing a university fund and constructing the Al Salam Bank Centre for Financial Studies at the University of Bahrain (Al Salam Bank, 2008).

Visser (2009) maintains that *zakat* plays a very minor role in addressing poverty as much higher rates are required than specified in conventional ways of calculating *zakat*.[15] The relative popularity of *zakat* and charity disclosures over other social aspects by Islamic banks in this study indicates a bias by Islamic banks towards short-term solutions to poverty rather than long term ones. Similarly, Maali *et al.* (2006) explain that preference to disclose charitable activities and *zakat* payments are related to banks' desire to portray a positive and religious image of themselves, while in the meantime keeping silent on more critical issues. Giving to charities and paying *zakat* signify a dimension of the organisation's religious and Islamic character (Choudhury and Harahap, 2008).

Qard *Hasan*

Qard hasan is usually mentioned in the definition of terms part of the annual report, but not much more information appeared to be provided on the issue by the banks in our study (see Table II). Bahrain Islamic Bank, JIB, SM and DIB provided somewhat detailed information on their *qard* hasan schemes. Bahrain provides information on the activities that were funded by *qard* hasan such marriage, refurbishment of buildings, medical treatment and other related activities. The annual report of Bahrain also reveals that nearly all the *qard* amount distributed by the bank comes from the bank's own accounts (BD 125,000 or US$331,538) with only BD 3000 (US$7,956) provided through donations (Bahrain Islamic Bank, 2008). JIB mentions its *qard* hasan scheme in its annual report and web site, maintaining that the scheme funds "justified social purposes such as education, medicine and marriage" (Jordan Islamic Bank, 2009). The bank claims that during 2007 up to 19,000 people benefited from the scheme with the total amount of 21.8 million JD (US$30.8 million) (Jordan Islamic Bank web site). SM's annual report (2009) discloses the disbursement of Rp 384 million (US$45,000) for social and economic empowerment, including mushroom cultivation, rabbit breeding and micro-working capital financing. DIB further explains that the loan is also made available to Muslims who are insolvent so as to "save them from the exploitation from moneylenders and undesirable or sinful circumstances". The bank has a dedicated current account which is created for qard hasan where the funds are contributed by the bank and other benefactors including the government (Dubai Islamic Bank web site). Meezan mentions the availability of qard hasan to the banks' employees with up to "Rs. 110.941 million (US$1.27 million) (2006: Rs. 109.051 million or US$1.247 million) representing mark up free loans to staff advanced under Group's human resource policies". (Meezan Bank, 2007, p. 132). The web sites of other banks did not mention *qard* hasan. A review of the annual reports revealed that ABC Islamic, Al-Rajhi, QIB, Unicorn, BankIslami and BI do not refer to *qard* hasan at all whereas others such as ABIB, Bahrain, Dawood, Faisal, and Salam briefly refer to it in their reports.

Analysis of findings

Our research indicates that Islamic banks are keen to link their activities to Sharia principles, with all the banks in our study disclosing that their activities follow Sharia rulings. Some banks went further and declared that adherence to Sharia distinguishes their bank from conventional banks in its emphasis on ethics, fairness and justice for all. However, these claims were not supported by significant disclosures reflecting actual practices (Laine, 2009). Most of the annual reports examined are signified by omissions regarding schemes privileging socially and/or environmentally viable projects, or financial inclusion of the disadvantaged. There was little evidence in the disclosures to support any claims that the banks were making any extra efforts to operate in poorer or rural areas that would allow more contact with poorer segments in society. For instance, disclosures did not indicate schemes to train staff to deal with microfinancing issues or to gain experience in funding and managing projects in rural areas. The findings also do not indicate a special emphasis by Islamic banks on *mudarabah* or schemes that depart from conventional banks' conditions of collateral. Even *qard hasan*, which is strongly embraced in the Qur'an, is a minor component of Islamic banks' activities as indicated by their disclosures. Thus, the annual reports and web sites seem to have largely ignored key aspects of social justice and poverty eradication roles that could be played by the Islamic banking sector. In this context, the importance of Islamic banks' annual reports and web sites' disclosures does not lie only in what these banks choose to disclose but also what they omit from disclosure (Adams and Harte, 1998).

The apparent rhetoric used by Islamic banks regarding their adherence to Sharia and social role closely mirrors findings in the social reporting literature. Other studies that concentrated on banks (Islamic and non-Islamic) also revealed a tendency by organisations to claim a social character, while providing little evidence of actual social activities. Boyce (2000, p. 647), for instance, shows that despite banks' rhetoric of caring for customers, actualities of these banks' activities show an overall emphasis on the "right customers" and exclusion of the poor and disadvantaged. This rhetoric of "customer focus, commitments to total quality, and customer valuation", when compared with the disclosed practices of these banks, reveals a business-as-usual practice aimed at increasing the wealth of the already wealthy shareholders and managers (Boyce, 2000, p. 676). In the Islamic context, Kamla and Roberts' (2010) study showed how a number of banks (and other institutions) in the Gulf States, used images close to Islam (like mosques, images of the Qur'an and Mecca) in order to portray an

Islamic identity – despite that very little detailed disclosure was given regarding the Islamic nature of their actual activities. In other industries, Laine (2009) demonstrates how rhetorical measures are used in disclosure by a Finnish Chemical Company to portray a certain image of the company rather than providing an accurate account of their environmental impact and activities. Similarly, in our analysis of the annual reports and web sites we find that Islamic banks' use of Sharia compliance expressions and phrases is not supported by significant accounts of actual social justice activities.

The corporate social reporting literature reveals that despite the increased practice of reporting in the West, much of this disclosure is mainly an attempt by companies to green-wash their activities in response to public pressure and expectations (Deegan, 2002; Laufer, 2003; Milne and Adler, 1999; Owen and Swift, 2001). Furthermore, the various studies that explored the quality of disclosures by companies found that the majority do not disclose sensitive issues, and that the disclosures are more distinguished by their distortions and omissions than what they actually disclose (Adams, 2002; Gray, 2001; Kamla, 2007; Laufer, 2003; Michell *et al.*, 1994; O'Donovan, 2002; Owen *et al.*, 2000). With the absence of substantial evidence of corresponding actual activities, these reports are amounting to public relation exercises to mange public perceptions (Adams, 2002; Laufer, 2003). Green-wash and rhetorical social disclosure revealed in the literature included exaggerated claims or employing "front groups" to provide assurance of socially responsible activities (Beder, 1997; Laufer, 2003). Such concerns resemble those made in this study, where Islamic banks seemed to support their claims of Sharia compliance and social justice mainly through SSBs' statements without providing substantive evidence of the existence of specific social projects and activities.[16] In addition to these contradictions highlighted in the literature in general, studies on social reporting by banks also reveal the scarcity of social disclosures, and emphasis on narrowly defined financial performance (see Branco and Rodrigues, 2008; Coupland, 2006; Douglas *et al.*, 2004; Thompson and Cowton, 2004; Tsang, 1998; Zeghal and Ahmed, 1990). Thompson and Cowton (2004) argue that banks tend to perceive social responsibility requirements as a threat to profitable lending. This is similar to the observation in our study, where the scarcity of disclosure on social issues is coupled with the majority of reporting space being devoted to financial concerns (Table III shows that Islamic banks devote a maximum of 1.6 pages for the disclosure of social information. Some banks only devoted 0.32 of a page in their annual reports for social information. The remainder of the annual report is devoted to mainstream financial considerations). These findings support the notion that CSR disclosures are presented in a way that is consistent with corporate objectives of maximisation of shareholders wealth (see Kamla, 2007; O'Dwyer, 2003).

From a critical theory perspective, the similarity between the social reporting practices of Islamic banks and conventional banks should be understood in the context of dominant capitalist structures (Gallhofer and Haslam, 2007; Held and McGrew, 2007). Kuran (2006) maintains that Islamic banks appear to seek profit as eagerly and aggressively as conventional banks. Indeed, Islamic banks depend on open market policies that allow it to benefit from reduced governmental control and gain big business status (Henry and Wilson, 2005; Pollard and Samers, 2007). Only in theoretical terms do Islamic banks seem to challenge capitalism and its culture of individualism. In practice, claimed moral, ethical and social ideals seem to have little impact on banks' activities and behaviour. Kuran (2006) argues that it is even unrealistic to expect Islamic banks' activities to differ or be more socially responsible than conventional banks as they operate in the same global capitalistic conditions. These are crucial factors that may hinder Islamic banks from placing social justice at the core of its activities (and disclosure), even if it wishes to do so (Kamla, 2009). Epstein (2007) states that despite increased attention in the West to corporate social responsibility (CSR), the current business environment and pressure on individual corporate managers are making adherence to social objectives difficult. Factors like global competition and banks' expectations, for instance, impose short-term performance and accountability measures for return on investment. Furthermore, the dominant ideology of maximisation of shareholders' wealth is subordinating other corporate objectives and creating confusion and conflict regarding what constitutes a successful and "good" business (Epstein, 2007). In addition to these factors, there are issues of top management remuneration and compensation schemes that tempt managers to think in short-term perspectives, and ignore more long-term issues such as social and environmental considerations (Epstein, 2007). Therefore, the narrowly defined financial objectives are leading to the corporatisation of social disclosure, where no radical shift in worldviews is manifesting but there is a sustaining of the status quo and business-as-usual notions (Laine, 2010). This apparent corporate capture of social disclosure in the West seems to be replicated by the Islamic banking industry, where claims to follow Sharia principles and social justice are made but not buttressed by any substantial disclosures about specific social activities.

To understand this replication of Islamic banks to Western style corporate social disclosure rhetoric requires appreciation of the history of the Muslim world. Most of the banks in our sample originate from countries that were once under the influence of the British Empire and are today increasingly seeking free-market reforms. Kamla (2007) elaborates how the colonial experience and the current domination of Western ideologies have significantly impacted on the accounting practices in the Middle East, including social accounting. Accounting and social reporting in the Arab world, Kamla (2007) maintains, mirrors that of the West in its emphasis on financial performance and displacing issues of ethics and justice from attention. Maali *et al.*(2006) also find that Islamic banks provide very little social disclosure, and maintain this is because all of these banks operate in developing countries where social issues are displaced by financial concerns, thereby replicating Western hegemonic practices. Our findings show that such concerns still apply to all of the banks in our study, and regardless of the country that the bank came from, reporting on specific social activities were weak (with the exception of disclosures related to charitable activities). These similarities between the levels and quality of disclosures among different banks can also be explained in light of the fact that many of the banks established outside the Gulf States region are largely influenced or owned by one of the Gulf States banks or governments (see Table I). Such interrelated ownership structure implies a sort of conformity in objectives (and even disclosures) amongst the banks[17].

Arguably, the lack of social disclosure does not necessarily mean the lack of social activities and initiatives. Nonetheless, if these social activities do exist, scarcity of disclosure is an indication of the lack of perceived need by Islamic banks for transparency or providing accountability to the community and society (see El-Gamal, 2006; Hamoudi, 2007; International Institute of Islamic Thoughts, 1996; Kamla, 2009; Kuran, 2006; Tilt, 2001).

Conclusion, implications and limitations of the study

Our theoretical analysis indicated that social justice is a core value in Sharia and Islamic teachings. Indeed, the Islamic finance and economics literatures are dominated by ideas advocating that the role of Islamic finance should constitute much broader social objectives and is meant to challenge injustice and inequalities created as a result of prevailing capitalist (or even socialist) ideals. Our empirics show that the annual reports and web sites of Islamic banks disclose how Sharia implies broader social and ethical consequences to their activities. However, the disclosures do not indicate that the banks have serious schemes targeting poverty elimination or enhancing equitable redistribution of wealth in society. Despite operating in Muslim societies that to a great extent are economically underdeveloped, the findings of our study do not indicate that Islamic banks have mobilized their position for improving the conditions of disadvantaged people.

The findings of this study have a number of implications for the Islamic banking sector. It seems from our analysis that the failure to make social justice the core value of their operations has contributed to the failure of Islamic banks to fulfil their ideological claims. No doubt that global capitalism and imperialism are factors that hinder the possibilities of Islamic banks and an Islamic finance system to materialize the spiritual and secular notions of social justice in Islamic teachings. Islamic banks, therefore, cannot and should not be expected to eradicate poverty and enhance social justice alone. They need to be part of an extensive network that mobilizes the different possibilities of an Islamic finance system. However, there remain possibilities for Islamic banks to make a difference if they wish to at the local and global levels. After all a number of successful initiatives do already exist including the Grameen bank; The Co-operative Bank in the UK and Bendigo Bank in Australia. Globally, Islamic banks can create alliances with international progressive institutions and unite with them to address concerns of social justice and poverty. At the local level and in the Muslim world, Islamic banks can reach the poor by connecting and networking with smaller financial institutions that have close ties to disadvantaged populations. Islamic banks can also discharge their social function through the training of religious leaders and community members to run small institutions (credit unions, microfinance and mutual banks) out of mosques in communities. They can play a role in the co-operation with charitable and developmental institutions such as *awqaf* (charitable trusts) through partnership with these institutions. Islamic banks would also need to invest in new staff recruitment and staff development that would help boost knowledge and expertise in the areas of microfinancing and financing for the poor and the disadvantaged. Accounting and disclosure can also play a role here by making injustice visible and, therefore, evoking change. Furthermore, to ensure that the Islamic teachings guide their operations, Islamic banks should also ensure that the Islamic principles are not merely acknowledged in the mission and vision statements, but are also implemented in the banks' operations and functions through the company strategy.

This study used disclosures by a number of Islamic banks' annual reports and web sites as indications of banks' activities and actions. This, however, is a limitation of this study, as disclosures do not necessarily reflect actual activities and social impacts of these banks. Research in Islamic accounting, therefore, needs to bring more insights into the actual socio-economic activities of these banks and their influence on equality, poverty eradication and wealth redistribution in society. Thus, case studies that observe and explore practices inside Islamic banks are very much needed. Furthermore, studies that explore perceptions and experiences of Muslims (and non-Muslims) in respect to Islamic finance are also needed. Especially needed are studies that bring voices from disadvantaged groups, the cash-poor and women, and explore how Islamic finance can help them. These studies will potentially contribute to knowledge on actual and potential socio-economic impacts of Islamic finance globally, and provide a framework for change inspired by these insights. In addition, Islamic accounting research concerned with advancing the prospects of social responsibility and empowering Islamic banking and finance has a lot to gain from enhanced interaction with critical accounting research and notions of social justice from both secular and religious perceptions. Immanent critique in particular provides an opportunity to make Islamic banks more conscious of their ideology and observed contradictions. Future research can also make more use of rhetorical criticism methods that make contradictions more feasible and, thus, pave the way for a more emancipatory role for Islamic banks. The sample is also a limitation of the study as it is more representative of the banks operating in the small (but wealthy) states of the Arabian Gulf. Future studies might focus on a sample that is more representative of the Islamic (and non-Islamic) world.

Notes

1. Critical accounting theorists have also elaborated on ways that accounting could bring "enabling, empowering and emancipatory" potentials (Gallhofer and Haslam, 2003). Even within a globalized context which promotes Western style accounting and finance, it is possible to build upon opportunities that globalization provides (see Gallhofer and Haslam, 2006; Monbiot, 2003) and mobilize accounting and finance to contribute to the eradication of poverty and achieve a fairer society. This could be done through, for instance, making visible injustices in societies and communities that would evoke change (Gallhofer *et al.*, 2011).
2. Rhetoric is an element of discourse and can be simply about the "transvaluation of values". It could, however, also constitute perversion of these values (Hooper and Pratt, 1995, p. 11).
3. Religion in many instances can be justifiably perceived as a source of injustice, repression and tyranny (Grayling, 2007; Hichens, 2007; Thakur, 1996). Religion is usually a conservative force in the political area that supports institutions and practices that are repressive and need to be emancipated from (Goltlieb, 2002; Thakur, 1996). For instance, religion, especially the religious right, have been linked to slavery, giving divine rights to kings to rule, opposing homosexuality, criticized the welfare state, while rarely criticizing racism or the subjection of women (Grayling, 2007; Hichens, 2007; Thakur, 1996). These repressive dimensions of religion are, however, often a result of myths and dogmas inherited in traditional religious models and a deliberate misuse of religion for political purposes (Hind, 2007; Thakur, 1996).
4. Waqf (endowment) is also a key Islamic institution for redistributing wealth in Islam. It allows the owner to settle his/her property for the use of beneficiaries and the permanent use of its income for specific purposes (Sait and Lim, 2006). Waqf is predominantly concerned with satisfying the religious demands for charity and philanthropic exercise (Sait and Lim, 2006).
5. Like other financing arrangements, critics point out that microfinance has also failed to empower women and other disadvantaged groups (see for example Dobra, 2011; Morduch, 2000).

6. Financial industry regulatory requirements of corporate social responsibility (albeit being voluntary) also stress the importance of such initiatives by banks and financial institutions. Examples are the FORGE guidelines stress the importance of social and environmental practices and performance of the industry (see Decker, 2004). The United Nations Environmental Program's "Statement by Banks on the Environmental and Sustainable Development" also recognizes that sustainability development must rank "amongst the highest priorities of banks" (Thompson and Cowton, 2004, p. 199). Other industry initiatives include the UN cooperation with financial institutions. This has resulted in a study named "Who Cares Wins: Connecting Financial Markets to a Changing World". The study provides recommendations for financial institutions to better environmental, social responsibility and corporate governance issues in their main financial products (see El-Gamal, 2006). The Global Reporting Imitative (2010) also introduced specific guidelines for the financial sector related to sustainability reporting. Key components of this reporting are issues related to access points in low-populated or economically disadvantaged areas; disclosure on schemes introduced to improve access to financial services for disadvantaged people and levels of community investments.
7. Our method has limitations, as it is possible that we have missed some information related to social justice. However, we envisage that we have captured information the way that any web-user would if he/she were searching for this type of information in the web sites (Paisey and Paisey, 2006).
8. See http://iiibf.org/bank.html. This web site provides a list of Islamic banks operating globally.
9. For instance, Bahrain, a small country in the Arabian Gulf, is represented by five banks. This shows how varied is the popularity of Islamic banks in different countries and regions. Bahrain has actually been a leading player in the Islamic banking industry and the home of AAOIFI and other Islamic regulatory organizations.
10. Indeed, many of the Islamic banks opening in other parts of the Arab world are in general subsidiaries of the Islamic banks in the Gulf (see Table I).
11. Only six banks were included under the rest of the world category in IBF web site, all are either from the UK or US.
12. Drawing from key Islamic texts and relevant prior literature, Kamla *et al.*(2006) demonstrates that environmental concerns are deeply rooted in all fields of Islamic teaching and culture. They elaborate how these notions have implications on accounting, finance, governance and disclosure.
13. Our content analysis also exposes a critical silence on issues of women employment in the banks concerned and equal opportunities for women or ethnic minorities.
14. Most of the bank in our sample disclosed on their training and education schemes for staff. These included orientation sessions, managerial skills training for mid-level and senior executives, products and operations training, professional qualifications and educations (see for instance Meezan Bank, 2007, p. 45).
15. Zakat, for many Muslims, is a core vehicle for redistributing wealth from the rich to the poor (Visser, 2009). However, there are many obstacles in today's environment that are limiting this important role of zakat in Islamic societies. For a start, there is a fierce discussion and disagreements amongst Muslim scholars related to items that should be subject to zakat in today's environment; whether zakat should be distributed to the poor directly or be given to charities or invested in welfare projects or amounts that should be given to the poor (Visser, 2009). In practical terms, there are major differences with how Muslim countries deal with zakat. In most countries zakat is voluntary and left to the individual to pay and distribute

(Visser, 2009). Visser (2009) further maintains that when the state is responsible for distributing zakat, it is not always channeled to the poor (cf. Kuran, 2006).

16. Some studies have expressed concerns regarding the role that SSBs is playing in rubber stamping the activities of Islamic banks as "Islamic" contributing to the marketing of products under the "Islamic banner" despite the close resemblance of these products to conventional ones (see El-Gamal, 2006; Kamla, 2009; Kuran, 2006). These concerns also similar to concerns expressed in the social accounting literature of the role of social audits in facilitating managerial capture of the process of corporate social responsibility (Owen *et al.*, 2000).
17. Modest exceptions were noticed, with some higher levels of disclosure provided by Jordan Islamic Bank. Maali *et al.* (2006) also note that Jordan Islamic Bank provided the most amount of disclosure in their sample. This higher level of disclosure by Jordan Islamic bank could be due to that the bank is one of the oldest Islamic banks established outside the Gulf States where social concerns were embedded in the Banks' establishment act (see also Maali *et al.*, 2006).

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