

Re-Considering CSR and Sustainability Identity of Islamic Banks in Malaysia: An Empirical Analysis

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The concept of Corporate Social Responsibility (CSR) has emerged as a trend in banking sector across the globe and has closely been associated with the concept of sustainable development and social economy. The role of CSR is very significant in shaping the nature of banks in producing a sustainable banking by channelling banking operations to endogenise the interests of all the stakeholders including management, products and services, community and environment. The aim but also the outcome of the CSR oriented banking is to support the sustainable growth and development.

CSR and sustainable development is an integral part of the Islamic moral economy through the ontological reasoning of Islamic teaching, which aims at constructing a human centred economic development with social justice objectives. The foundational axioms of Islamic moral economy directly refer to social economy. Since Islamic banks and financial (IBF) institutions is considered as the operational and financing tools of Islamic moral economy, IBFs by definition are expected to comply with the expectations of CSR and sustainable development.

This study, thus, aims at evaluating the perceptions and the expectations of the IBF customers in relation to their opinions of the Malaysian IBFs' CSR and sustainable compliancy and performance. The initial results of the empirical research indicate that while there is a great stress and expectations of CSR and sustainable development related objectives from the IBFs by the customers, the opinions related to the actualities of IBFs in terms of fulfilling such objectives is rather discouraging. Thus, this study provides micro level evidence for the (under)performance of Malaysian IBF industry in relation to CSR practices and sustainability contributions. This paper, hence, suggests that 'going back to the basics' of Islamic moral economy is the only solution for creating social development oriented financial institutions.

Keywords: Corporate Social Responsibility, Sustainable Development, Islamic Banking

1. Introduction

Many have said that Islamic banks had weather the storm from the recent economic crisis for not involving in unethical investment. In reality, Islamic banks too were affected by the second wave although not as bad as other conventional banks. At this instance, actions should be taken in ensuring the sustainability of Islamic bank in the competitive market. It is worth mentioning that the lack of morality in economic system was the main reason that brought down these banks. Therefore, Islamic banks that are known for its uniqueness that promotes socioeconomic justice came forward as an alternative banking system since then. In fact, the

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World Bank, in its report recognises Islamic banking and finance (IBF) and has designated it as a priority area to further develop and to be strengthen (Parker, 2011).

The concept brought by the West on CSR and sustainable development is made relevant at this present to ensure Islamic banks move forward to become a robust banking institution. These two concepts have interlinked features that satisfy the mission of each other by promoting social justice. CSR and sustainable development is an integral part of the Islamic moral economy through the ontological reasoning of Islamic teaching, which aims at constructing a human centred economic development with social justice objectives. The basis of integrating economic transaction with morality is indeed complying with the tenets brought by CSR and sustainable development.

This study has implication to relocate the social identity of Islamic banks through the practice of CSR and sustainable development which is relevant to Islamic teaching. Therefore, this study aims to perceive the Malaysian IBF customers' perception on CSR and sustainable development practiced in the industry.

This paper will be presented in six sections, beginning with a brief introduction of the main study. Then, it is followed with an insight of the Western perspective of CSR and sustainable development in Section 2. Section 3 will deliberately explain on the Islamic worldview of CSR and sustainable development which is part of the Islamic moral economy. Section 4 describes on the research methodology employed in this study and Section 5 presents on the findings and discussion of the study. The conclusion will be offered in Section 6 to summarise the whole study.

2. CSR and Sustainable Development: A Western Perspective

Corporate Social Responsibility (CSR) is a widely known concept on how business entities should contribute back to society. This particular concept is also known to some as Corporate Responsibility, Corporate Citizenship, Corporate Philanthropy, Responsible Business and many more. Despite different names given, this concept is geared with one objective, to promote social justice to society and environment.

CSR is an evolving concept that mark the first modern literature in 1950's when Howard R. Bowen or known as the 'Father of Corporate Social Responsibility' had addressed the importance and responsibilities of business towards the society. Business should conform to what is desirable to society in making it a harmony environment (Carroll, 1999b; Masaka, 2008). However, Friedman (1970) opposed to this statement, asserting that the responsible of business is to maximise profit. In addition, social welfare of society should be left for the government to concern.

As the concept develops every decade, more elements were to be included to make this concept comprehensive and achieve its purpose of serving to society's needs. In 1960s, the literature attempted to signify in depth the meaning of CSR with additional elements such as on voluntarism and going beyond the economic and legal requirement. While in 1970's, CSR was influenced by globalisation, literature on CSR expanded with the idea of associating CSR with the stakeholder theory, the concept of Corporate Social Performance (CSP), and the indication of CSR as a social problem solution. The year 1980's welcomes diverse writings and themes in the area of CSR yet little contribution had been made in attempting to give new definition. Studies in various themes such as corporate social responsiveness, public policy, and business ethics had been interlinked and expanded from the core idea of CSR. The year 1990's, major contribution made for CSR was to further examining and improvising the

existing alternative themes that had already been built since decades ago. Attentions are given towards the measurements initiatives and theoretical development to further support research in future (Carroll, 1999a).

The concept of CSR is still developing until today, as to many issues were addressed to satisfy the present needs. For example, employees' rights, women's rights, gender policies, being environmental friendly, charity and helping the poor, transparency in management and also validation of financial reports. CSR is also said to be associated with Corporate Governance nowadays. Hence, it is until now difficult to give an exact definition of CSR since it is a broad concept and touches many little yet important aspects of social cohesion.

The famous CSR dimension brought by Carroll (1979, 1991) articulates that CSR consists of four major responsibilities. These responsibilities are economic, legal, ethical, voluntary/philanthropy. The economic and legal responsibilities are essential for firms to realise the business objectives while ethical and philanthropic responsibilities are expected elements by society in order the business to maintain their business³. However, Dahlsrud (2008: 5) has categorised CSR into five dimensions in his research which are the social, environmental, voluntariness, economic and stakeholder. From the findings of the study, it claims that environmental dimension were the least to be defined in CSR concept probably due to early literature that has less mention with regard to it.

Although with the growing concept brought in CSR, defining it is still perplexed. There is no exhaustive definition that has yet commonly used so far. Cama (2004: 30) described that CSR do not have a specific meaning whereas it gives different interpretation and overview to different people in a different perspective. The main of CSR considers vitally on the impact of company's activity to society (Carroll and Buchholtz, 2006: 30). In addition, the World Business Council for Sustainable Development attempt to define CSR as 'the continuing commitment by business, to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large' (WBCSD, n.d.).

³ Business *requires* **economic responsibility**: Garriga and Melé (2004: 52) articulates that the main purpose of business is to create wealth and any social responsibility considered should benefit both business and society, hence CSR is classified as a means to an end of profit yielding. This indicates on the view of maximising shareholders value. As a foundation in the pyramid of social responsibility introduced by Carrol (1991) it delivers as an important business activities to produce goods and/or services to society in fulfilling their needs and wants. Business *requires* **legal responsibility**: This responsibility requires firm to obey the standard rules and regulation made by higher authority in order to perform business activities as demanded by the society. Besides, businesses are suggested to play by the *rules of the game*. Society *expects* **ethical responsibility**: Ethical responsibility is introduced since the legal responsibility do not cover every aspect of moral behaviour (Masaka, 2008: 15). It relates how ethical values are perceived as a duty or task which is obligatory by an organisation towards society (Garriga and Melé, 2004: 53). It is the matter of what is right in the eyes of society and therefore organisations should refrain from performing any wrong doings that could harm and be against society's expectation. Firms are to establish just and fairness in their activities. These behaviour and values are not something that is imprinted in the regulation nevertheless is acquired by common sense of performing good behaviour as expected by others. Society *desires* **voluntary/philanthropic responsibility**: Refers to social activities which is beyond legal requirement and conducted completely under voluntary basis to improve the quality of life and the welfare of society (Kitson and Campbell, 1996: 142). In other words, 'giving back to society' which is familiarly used as a slogan in firms to encourage CSR which does not necessarily have to fulfil the businesses objective. It is suggested that investing in philanthropic activities creates competitive advantage to the firms in the same time increases its social values (Garriga and Melé, 2004: 54). Popular philanthropic activities carried by organisations for example, charity giving, supporting community development, *etc.*

A decade after CSR is marked in the modern literature, the year 1960s, indicates the emergence of the concept of ‘sustainable development’ which entirely is about moral values and ethics (Iqbal, 2005). It is by far an evolving concept as well having various concerns like CSR which approaches and provokes many different responses. At first, the concept focuses more on environmental issues which worsen resulting from industrialisation activities. The concepts expanded its field in 1970s to bring together issues on human environment, for at that period, more concerns are given on protection and improvement of peoples’ welfare and economic development around the world. As the concept progressed, sustainable development has narrow down its theme and look into human-centric matter. The ongoing concepts does not stop there, in year 1990s, it has further examine its motivation to financial aspects of sustainable development such as on poverty alleviation and social justice at global level (Iqbal, 2005; Yousri, 2005). This dimension is extended also to reducing foreign debts, controlling domestic consumption, establishing equitable distribution of income and wealth, maintaining ecological consistency, protecting cultural heritage and environmental ethics (Dadgar, 2005: 118). Hence, this concept made it congruent to the ideology in CSR.

The World Commission on Environment and Development report entitled, ‘Our Common Future’ or often known as ‘Brundtland Report’ in 1987 (WCED: 43) has marked the most commonly definition used for the concept of sustainable development. It delineates on ‘seeking to meet the needs of the present without compromising the ability to meet the future generation to meet their own needs’. According to given definition of sustainable development, there are four key points that should be highlighted: (i) social progress which recognises the needs of everyone; (ii) effective protection of the environment; (iii) prudent use of natural resources and (iv) maintaining high and stable levels of economic growth and employment (Hasan, 2006: 5; Hassan and Chachi, 2005: 59). Further, Iqbal (2005: 9 - 10) and Hopwood *et al.* (2005: 39) articulates on the ideology of sustainable development that thrives with regard to economy, social and the environment in equal measure as a moral obligation for everyone. Consideration should be given not only to our own progeny, but also to the future generation and environment as well. Clearly, human depends on the environment not only to extract the resources for production but has wider use in meeting needs and well-being of mankind. Thus paramount of interest should be showed to the importance of natural resources as a valuable capital that should be used wisely and properly (Dadgar, 2005: 117).

While, socioeconomic issues highlighted in the report focus on the escalating issues of poverty and inequality, a part from longing for a healthy future (Hopwood, *et al.*, 2005: 39). To encounter this problem, discreet in decision making shall ensure a long-run goal of prudence and healthy future; hence will establish harmony between human and non-human. It is important to ensure a steady long-run growth which delineates that in a given ‘situation where the specified vector must increase over time without hitting the limits’ (Hasan, 2006: 6).

Various disciplines have influenced and contribute to the growing concept of sustainable development which made it a wide scope (Elliot, 2006: 9), and more human-centric. Further, Kahf (2002: 8) and Hasan (2006: 7 - 8) articulates on specifically categorisation of sustainable development in two large blocks; economic and environmental, which seems more realistic. From the economic point of view, this concept urges to meet a selected growth target and maintain it for long run goal. Indeed, a healthy economy is vital to realise the other two elements of sustainable development in preserving the natural resources and encourage social solidarity in every activity. Whereas, environmental aspects concerns on the

development that minimises negative effects and optimise usage of the depletion natural resource. In this context, limits are to be enforced to ensure that natural resources would not aggravate from the outcome of development.

At this instance, the concepts brought by CSR and sustainable development is considered as a complementary concept that benefits each other since CSR started with giving attention to social welfare of society while sustainable development begin by emphasising on environmental issues which then developed and incorporated the same theme. At the end of the day, both concepts attempts to scrutinise and look in depth to improve economic, social and environmental issues in the world. Therefore, banking sector should adopt these concepts in making it a sustainable banking that could attempt to weather the storms coming in future.

3. CSR and Sustainable Development: The Islamic Hallmark

The two famous and important concept discussed earlier from a western perspective indeed have different meaning from Islamic sphere. These two concepts are relevant to Islam however it is viewed from a different angle with different perspectives in Islam.

As explained in previous sections, CSR from the western perspective has evolved since more than half a century ago, mean while CSR from an Islamic perspective has just started to make an appearance in the modern literature for not more than a decade although the features and traits discussed are already practiced since the era of our Prophet (pbuh).

Among others, Dusuki has produced a number of articles pertaining to CSR from Islamic perspectives. His article on '*What Islam Says about CSR*' articulates on CSR theory in a more holistic respect distinguishing it from the Western view of CSR (Dusuki, 2008b). It encompasses the idea of achieving success and happiness not only in this world e.g. profit maximisation and business sustainability, but also to achieve *falah* and happiness in the hereafter. Moreover, Dusuki (2008a) articulates in '*Understanding the Objectives of Islamic Banking: A Survey of Stakeholders' Perspectives*' that Islamic banks should upholds social objectives instead seeking profit maximisation solely.

Taqwa-paradigm was introduced by (Dusuki, 2008b: 15) which act as the core element in implementing CSR from Islamic point of view. He further enhances the importance of this theory by identifying four main elements which are human dignity, free will, equality and rights, and, trust and responsibility. However, most of the scholar of Islamic economics such as Ahmad (1980), Chapra (1979), Naqvi (1994), Siddiqi (1980) and Zarqa (1980) asserts the axiom of *tawhid* is paramount in understanding Islamic principles which is supported with other additional axioms that is of importance in this matter in the philosophical tenets. These supplementary elements are *rububiyyah* (oneness of God), *ukhuwwah* (brotherhood), '*adl* (justice) and *tazkiyyah* (purification and development) is of importance to create a society that accentuate the spiritual goodness embodied in Islam and contribute it to the development of a better system.

The principle of '*adl* carries breadth meaning and scope that is very crucial axiom in the field of finance. As mentioned clearly in the *Qur'an* and *hadith*, it is instructed upon us to fulfil promises (contract), giving exact measure and weight of goods sold, pay wages to workers in a timely order and in fairness, avoid misrepresentation, never hoard goods, no price fixing, disclosure of cost price, defects and many more.

Meanwhile, the elements of sustainable development as mentioned earlier have great emphasis in Islamic teachings. Interestingly, the growing content of sustainable development philosophy is moving away from neo-classical economy and reaching closer to Islamic economics paradigm by emphasising on justice, equity and redistribution (Iqbal, 2005).

Yousri (n.d.) proposed a new definition for the concept of development from an Islamic paradigm,

'Development is a structural change in the socio-economic environment, taking place concurrently with adoption of Islamic laws and ethical values, and triggering off human productive capacities towards maximum and best possible utilization of available resources, within balance between material and spiritual targets.'

Yousri (2005: 25 - 26) clearly identified that the conventional definition of development has different meaning to the Islamic sphere as suggested by him. The development emphasised by conventional counterpart looks only into material benefits i.e. economic, social and environmental issues, albeit Islamic enterprise is more comprehensive that does not only regards on material and social position yet it emphasise as well on moral and spiritual aspects (Hasan, 2006: 7; Kahf, 2002: 33). However, Hasan (2006: 8) enlightens that for the most part of definition described by the Commission is in harmony to the Islamic ambit which addresses the concept of development as a whole to every mankind and not only to Muslims. This is consistent with the axiom of *tazkiyyah* briefed earlier. Clearly, this could evident from the holy sources of Islam; the *Quran* and *hadith* specifically mention on the economics, social and environmental elements that promote sustainable development such as helping the poor and needy, enhancing social justice and environmental issues i.e. conserving the plants and protect the animals. Also, the holy sources prescribed the urge of utilising the natural resource in a beneficial way and should never waste it⁴.

Interestingly, Zaman and Asutay (2009: 82 - 83) articulates on the three main concept incorporated in Islamic development which are Islam, *Iman* and *Ihsan*. The Prophet (PBUH) mentioned that the *deen* (religion) consist of these three doctrines. *Tawhid* which is dignified as the core and the beginning of development incorporated on the five pillars of Islam: *shahadah* (testimony of faith), *solat* (prayers), *zakah* (giving alms), *sawm* (fasting) and *hajj* (pilgrimage at Makkah). Muslims are compulsory to observe these five pillars of Islam which acts as an eternal requirement to achieve *falah* in the hereafter. *Iman* (faith) and *Ihsan* (perfection) is shaped by certain axioms that have been discussed earlier. It is not exhaustive and may include other axioms, yet in this context, *tazkiyyah* and *rububiyah* is viable towards the concept of development.

In addition, the concept of brotherhood that is established in the nation creates a sense of belongings that motivates and guides our attribute of love, passion and justice among each other (Iqbal, 2005: 11; Yousri, 2005: 30). This attribute is important in creating a caring and responsible society.

The characteristic of CSR and sustainable development from Islamic perspective discussed above is inculcated in the Islamic economic system. This implies that it is also relevant for Islamic banking to practice it explicitly. However, to enhance the socioeconomic justice in

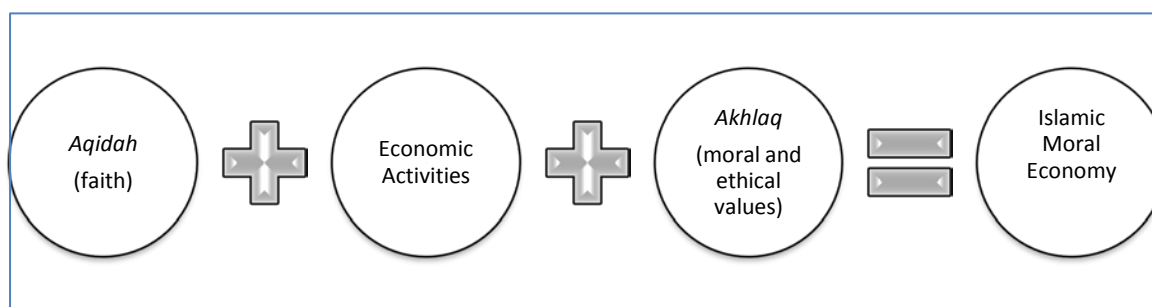
⁴ Example from the Holy Quran (17: 26 – 27): And give the relative his right, and [also] the poor and the traveler, and do not spend wastefully. Indeed, the wasteful are brothers of the devils, and ever has Satan been to his Lord ungrateful.

Islamic economy, there is a need to strengthen the social objective. Hence, Islamic moral economy is introduced.

Islamic Moral Economy

Islamic moral economy is a model taken from the traditional moral economy that values justice, fairness and equity and is commonly known effective in small community. At this instance, since Islamic economy emphasise on moral values and cultural belief engaging with economic activities, hence made it relevant to this traditional economic model. Kindly refer Figure 1.

Figure 1: Islamic Moral Economy Model



Initially, Tripp (2006) introduced Islamic Moral Economy since the objective of moral economy is similar to Islamic economy which is upholding social justice in economic sphere. Islamic economy was ideally discussed by the founding fathers; Ahmad (1980), Chapra (1980), and Siddiqi (1980) as an economic system that has to comply to *Shari'ah* guidelines with the intention to promote social and economic justice. Alas, the reality it is still far beyond reachable since the early establishment of Islamic economy, it hasn't prove much development to the Muslim countries (Zaman and Asutay, 2009).

Rebranding Islamic economy to Islamic Moral Economy is not with the intention to create a new economic system or deviating from the original objectives, yet it is made as a wake-up call to ensure IBF coming back to its original root. In fact, Islamic moral economy is not even similar to what the recent economist attempt to integrate capitalism with morality. This system is suggested to be more effective at delivering material benefits towards the development of economy (Siddiqi, 1980; Tripp, 2006) which is more transparent and ethical.

The core of Islamic moral economy is relevant to the concept of CSR which at this instance has great contribution towards being God-consciousness or *taqwa*-centric in Dusuki's (2008b: 21) CSR continuum. Achieving the state of an Islamic moral economy would be utopian if one could not forgo of being materialistic. At this level, one should be socially responsible by their own will and also because of god-consciousness despite any financial gains or losses.

4. Research Methodology

This study is an exploratory in nature that employs quantitative methods to fulfil the objective of this investigation. A survey questionnaire is conducted to customers of Islamic banking in order to evaluate their perceptions and expectations in relation to CSR and sustainable development performance. The customers of Islamic banks representing the sample of this survey were selected from various profile background in order to get a broad overview of the whole industry. This study was conducted in Kuala Lumpur and Klang Valley which is relevant to represent the industry since these locations is considered a developed state in comparable to other states in Malaysia, besides all of IBF headquarters are located in Kuala

Lumpur. In response to economic development, service sector and industrial sector was measured to have substantial impact to the nation among others. Besides, these locations are also considered to have the highest population since many citizens migrates from their own states to find employment in Kuala Lumpur and Klang Valley which supposed to offer a potential career prospects.

A total of 800 questionnaire surveys were distributed with a breakdown of 500 surveys to government and private services premises randomly targeting customers of Islamic banks and another 300 surveys were distributed to Islamic bank employees. However, only 477 questionnaire surveys fit to analyse. Hence the effective response rate was 76.1% for customers of Islamic banks while the remaining represents the employees of Islamic banks

This study would then employ statistical instrument to analyse the data gathered earlier.

5. Findings and Discussion

This section will present on the findings and analysis of this study which employed questionnaire survey as its main data collection. The data are then gathered in SPSS to produce meaningful results by using statistical tools provided.

Demographics of Respondents

The result in Table 1 indicates on the background information of respondents. The majority of the respondents appear to be competent to respond to this questionnaire survey since most of the respondents are well educated, obtained a stable monthly salary with a good position in the industry. Although CSR is for everyone, however these groups of people have strong influence in shaping the industry towards a socially responsible environment.

Table 1: Demographics of Respondents

Gender			
	Frequency	Percent	Mean
Male	201	42.1	
Female	276	57.9	
Total	477	100.0	
Age			
	Frequency	Percent	Mean
Below 20	7	1.5	
20 – 30	278	58.3	
31 – 40	131	27.5	
41 – 50	43	9.0	
Above 50	18	3.8	
Total	477	100.0	2.55
Highest Education Attainment			
	Frequency	Percent	Mean
SPM	31	6.5	
Diploma/Matriculation/A-Level	69	14.5	
Bachelor (1st Degree)	275	57.7	
Professional Qualification	23	4.8	
Postgraduate (Masters/PhD)	79	16.6	
Total	477	100.0	3.10
Monthly Income			
	Frequency	Percent	Mean
RM 1,000 and below	89	18.7	
RM 1,001 - RM 3,000	144	30.2	
RM 3,001 - RM 5,000	155	32.5	
RM 5,001 - RM 10,000	75	15.7	
RM 10,001 - RM 20,000	11	2.3	
More than RM 20,000	3	0.6	
Total	477	100.0	2.55
Occupation			
	Frequency	Percent	Mean
Manager/Executive	167	35.0	
Professional (lawyer, engineer, accountant, banker, doctor etc.)	103	21.6	
Administrative staff (clerk, secretary, typist etc.)	40	8.4	
Academician/Education	49	10.3	
Housewife	5	1.0	
Student	90	18.9	
Merchant/Business	13	2.7	
Unemployed	2	0.4	
Others	8	1.7	
Total	477	100.0	3.04

CSR Awareness and Practices

The study commenced by acquiring the respondents' knowledge and familiarity on CSR concepts. Table 2 depicts more than half of the respondents (49.3%) are very familiar with CSR, while 31.2% are not that familiar with CSR, indicating a total of 80.5% of the respondents in general have good knowledge on CSR. On another note, Table 3 suggests on the majority of the respondents (49.9%) are aware with CSR practiced at their respective Islamic banks while another 42.3% are not aware. Interestingly, 7.8% of the respondents are not interested at all to know whether their Islamic banks contribute to CSR. Analysing from both tables, Table 2 and Table 3, it may suggest that although the respondents may have good knowledge on CSR, not more than half of the total respondents are aware of CSR contributions made at their Islamic banks. At this point, the results revealed that customers of

Islamic banks show a development of interest on CSR since. Therefore, this study is inconsistent with Ramasamy and Ting (2004) study that disclosed the level of awareness among employees are low at that time nor Ahmad and Rahim (2005) that reported in their study on the high level of CSR awareness (93.1%) among managers of public listed companies.

One major reason for CSR to be widely known to the respondents are because of the endless effort from the government in achieving Vision 2020 that aims to ensure an economically just society through the establishment of a moral and ethical society. The government of Malaysia has provided full support and encouragement in incorporating CSR at industry level, in fact has endeavour to reward corporations and institutions participating extensively in CSR activities by awarding the Prime Minister's CSR Award⁵ yearly. In addition, the government has made it a national vision thus giving tax incentives as a reward to corporations that perform CSR activities which eventually has led to the growing interest of CSR from the industry. Every corporation including Islamic banks has taken this opportunity to perform their social responsibility to receive recognition or award; however Islamic banks should make the intention to seek God's pleasure and reward in the hereafter instead. With all the efforts made, the level of awareness should gradually increase in future, *inshaAllah*.

Table 2: Respondents Familiarity with the Concept of CSR

Familiarity with the Concept of CSR			
	Frequency	Percent	Mean
Yes, I am very familiar	235	49.3	
I am not that familiar	149	31.2	
No, I am not familiar at all	93	19.5	
Total	477	100.0	1.70

Table 3: Respondents Awareness of CSR Practised in Islamic Banks

Awareness of CSR Practised in Islamic Banks			
	Frequency	Percent	Mean
Yes, I am aware	238	49.9	
I am not interested	37	7.8	
No, I am not aware	202	42.3	
Total	477	100.0	1.92

The result in Table 4 reveals that majority of the respondents (89.4%) perceived 'CSR is relevant to Islamic banking concept', although it is ranked second in place, which substantiates the findings and the results of some other researchers, including Haniffa (2002), Mukhazir and Muhammad (2006), Asutay (2007), Dusuki and Abdullah (2007) and Dusuki (2008b).

The respondents also gave positive remarks on CSR by demanding that 'CSR should be embedded in Islamic banks' policy' and 'Islamic banks are obliged to practice CSR' which is ranked first and third in the table. Indeed, the result suggests that Malaysians are prepared and aware on the benefit of performing CSR and would be very happy if Islamic banks could ensure CSR to be practice in their norms. These attitudes are realised through extending help

⁵The Prime Minister's CSR Award was launched in the year 2007 by the Ministry of Women, Family and Community Development for the purpose of acknowledging companies that have successfully made CSR contributions for community development. The awards are given base on eight different categories such as community and social welfare, culture and heritage, education, empowerment of women, environment, media reporting, small company CSR and workplaces practices.

to the poor and needy for community development which is aligned with *maqasid Shari'ah*. Among the avenues to help and progress together with the community is through *zakah*. In addition, CSR emphasise on ethical dimension in every aspects which is compliant to the Islamic teachings that promotes *akhlaq* (personal moral behavioural disposition) which is an important element in Islamic moral economy.

Although CSR may seem relevant to each aspect of Islamic ambits from the ethical perspective, Dusuki (2008b) points out that CSR has a broader meaning from Islamic hallmark as it values more on spiritual reward rather than material reward. One who achieved the highest moral positions is considered to manifest *taqwa*-centric or the sense of God-consciousness.

Table 4: Respondents Knowledge on the Significance of CSR to Islamic Banking

	Significance of CSR to Islamic Banking					Mean
	Strongly Disagree (%)	Disagree (%)	Do Not Know (%)	Agree (%)	Strongly Agree (%)	
CSR should be embedded in Islamic banks' policy	0.6	2.1	15.7	53.9	27.7	4.06
CSR relevant to Islamic banking concept	0.8	3.4	16.4	50.9	28.5	4.03
Islamic banks are obliged to practice CSR	1.3	3.4	18.9	51.2	25.4	3.96
The government should enforce to legalise CSR	1.3	4.0	18.7	52.8	23.3	3.93
CSR upholds the social justice dimension of Islamic Economics	0.4	4.6	21.2	56.0	17.8	3.86
Social responsibility should be left to government to concern	20.1	36.1	11.9	22.9	9.0	2.65
Social responsibility should be left to NGOs to concern	22.2	37.5	14.9	20.8	4.6	2.48

The followings are the results obtained from this study which is presented according to the most favourable activities to the least favourable activities on CSR contributions expected in Islamic banks (refer Table 5). The result suggested that respondents of Islamic banks strongly demand a socially responsible environment to be embedded in Islamic banks culture emphasising on ethicality and morality in business. These elements are valued more rather than giving charity and profit maximising which is not ranked highest. Therefore, the result suggest that Malaysians would like to come out from the dogma of associating CSR with charity merely which is consistent with previous researches conducted by Dinar Standard and Dar Al-Istithmar (2009), Asutay (Oct - Dec 2008) and Sairally (2005) that highlights on establishing a systematic way of performing CSR that would assist in community development at large.

Table 5: Respondents Perception on CSR Contributions Expected to be Practice in Islamic Banks

CSR Contributions Expected to be Practice in Islamic Banks						
	Strongly Disagree (%)	Disagree (%)	Do Not Know (%)	Agree (%)	Strongly Agree (%)	Mean
Emphasise on ethical values and moral behaviour (e.g. honesty, respect, punctuality, justice, etc.)	0.4	1.0	4.4	52.4	41.7	4.34
Ensure investing in ethical and <i>Shari'ah</i> compliance products	0.4	1.9	6.3	46.1	45.3	4.34
Provides educational sponsorships	0.6	1.7	7.1	51.2	39.4	4.27
Alliance with charitable organisations (e.g. activities with orphanage, helping the poor, etc.)	0.4	2.1	5.0	62.9	29.6	4.19
Assist <i>Zakah</i> House (pusat zakat) for <i>zakah</i> collection and/or distribution	1.0	4.0	9.4	46.3	39.2	4.19
Guarantees investment will not harm environment	0.4	2.5	10.7	52.2	34.2	4.17
Adoption of best practices in human resource management	0.4	2.7	10.7	55.6	30.6	4.13
Charity/donation to the community	0.8	2.5	7.5	62.5	26.6	4.12
Pro-active in environment conservation	0.4	2.3	13.8	53.0	30.4	4.11
Promotes health and safety in the workplace	0.6	1.9	13.8	56.2	27.5	4.08
Actively target groups, communities or institutions that require assistance	0.6	2.3	10.1	62.3	24.7	4.08
Provides benevolence loans (qard al-hasan)	0.4	4.0	14.0	54.7	26.8	4.04
None of the above, as bank is a financial institution	31.2	31.2	17.6	14.7	5.2	2.31

This survey has been designed by intentionally presumed a list of hindrance at Islamic banks level from performing CSR.

The result in Table 6 revealed that the majority of the respondents believed that 'lack of commitment for CSR' was the main factor for preventing Islamic banks from implementing CSR. Among the factors that contribute to this negative result was that Islamic banks did 'not prioritised CSR as important' and also because 'lack of commitment to Islamic ethics' which indeed is a vital element. These three factors are crucial to portray that ethical value which is supposed to root from one-self and then, developed and practiced it together in the industry have not existed. At this instance, the result suggest that Islamic moral economy is far beyond reachable since the most important element that should be rooted in an Islamic banking, which is *akhlaq* is made less vital by the respondents.

Another factor worth mentioning which is ranked at fourth place by the respondents is that Islamic banks goals are 'commercial orientation' which in a way does not defeat the purpose

of CSR since it is consistent with what Carroll (1979) defines on economic responsibility of a business. However, it should have a balance of economic and social goal to ensure prosperity in every aspect which support Tripp (2006) exposition on moral economy.

The results from the survey also expressed that there are ‘lack of CSR awareness from stakeholders’ point of view’ with a mean score of 3.66. Perhaps, this may be due to the general CSR awareness among Malaysians that are relatively low as reported by Ramasamy, *et al.* (2007) in his study. Therefore, this behaviour also has affected the Islamic banking industry.

In fact, some of the banks revealed that there is no budget allocation for CSR program or probably just a limited amount was given. If the nature of the Islamic banks is a subsidiary to a parent conventional bank, then these Islamic subsidiary banks needs to abide to every regulation and policy required by their respective parent bank. Hence, if the parent banks are not interested in CSR activities, these Islamic subsidiary banks have no choice but to withdraw the intention to perform CSR actively.

Table 6: Respondents Knowledge on Factors Preventing Islamic Banks from Implementing CSR

Factors Preventing Islamic Banks from Implementing CSR						
	Strongly Disagree (%)	Disagree (%)	Do Not Know (%)	Agree (%)	Strongly Agree (%)	Mean
Lack of commitment for CSR	0.8	7.1	15.9	56.6	19.5	3.87
Not prioritised as important	0.4	9.4	20.1	53.9	16.1	3.76
Lack of commitment to Islamic ethics	1.3	10.5	19.5	52.0	16.8	3.73
Commercial orientation	0.4	9.2	25.2	49.5	15.7	3.71
Bureaucracy	1.0	9.4	25.6	48.8	15.1	3.68
Lack of awareness	2.9	13.2	11.7	59.3	12.8	3.66
Not imposed by the government	1.3	14.9	22.6	46.3	14.9	3.59
Lack of adequate information on CSR	2.7	13.8	16.8	56.2	10.5	3.58
Not interested	2.5	13.8	24.7	44.9	14.0	3.54
Not profitable to the bank	1.9	20.3	24.3	39.2	14.3	3.44
Lack of human resources	13.8	19.7	17.0	51.6	8.0	3.40
Time constraint	3.6	22.0	18.7	48.2	7.5	3.34

Potential Roles of Sustainable Development

As mentioned earlier in the literature, it is undeniable that the elements embedded in sustainable development theory also have positive connection to Islamic teaching. Hence, Islamic banks, particularly in Malaysia, should not avoid realising the objectives of sustainable development.

In general, the results in Table 7 suggest that the respondents strongly regard Islamic banks to promote ethical and moral values. This is evidence from the top two roles ranked by the respondents: ‘Islamic banks should promote good governance (e.g. transparency, no corruption, being accountability and *etc.*)’ and ‘Islamic banks should follow ethical strategy from providing service to customers to employees’ rights’. In addition, respondents also believed that Islamic banks should emphasise on socioeconomic just such as contributing to community development, human capital development, environmental protection and even offer microfinance to the financially excluded. However, respondents clearly do not support

‘Islamic banks to ensure a better living for the society in future’ and ‘alleviate poverty’ that is placed at the bottom of the table which actually is the main cause of the concept of sustainable development. Besides, Islamic banks obligation is to ensure a better living for society since it fulfils the objective of *maqasid Shari’ah* that emphasise on improving quality of life. In fact, the role of Islamic banks to make sure wealth circulation, to balance the social status of the rich and poor apart of providing risk-sharing mechanism, these are among the qualities that will resulting to a better future for society. On the other hand, Islamic banks have started to provide microfinance services for community development and human empowerment purpose. Although the success rate is yet promising, Islamic banks are taking one step at a time to improve the service which is in fact encouraged by the government. Alas, *qard al-hasan* which is seen a tool to help the poor is far beyond realising at the moment. It is difficult to find an Islamic bank that offers this product to the customers so far.

Table 7: Respondents Perception on Potential Roles of Islamic Banks in Providing Sustainable Development

Potential Roles of Islamic Banks in Providing Sustainable Development						
	Strongly Disagree (%)	Disagree (%)	Do Not Know (%)	Agree (%)	Strongly Agree (%)	Mean
Islamic banks should promote good governance (e.g. transparency, no corruption, etc)	0.0	1.5	5.2	52.6	40.7	4.32
Islamic banks should follow ethical strategy from providing service to customer to employees rights	0.0	1.3	8.0	60.6	30.2	4.20
Islamic banks should invest in human capital development for employees (e.g. training, research, furthering education, etc)	0.0	2.1	9.0	56.2	32.7	4.19
Islamic banks should promote microfinance (banking for the poor)	0.0	3.6	7.8	57.0	31.7	4.17
Islamic banks should promote equal opportunity in its financial activities and operations regardless of gender, race, religion, disability and socioeconomic background	0.2	1.5	6.5	66.0	25.8	4.16
Islamic banks should promote equal opportunity for its management regardless of gender, race, religion, disability and socioeconomic background	0.4	3.8	8.4	62.7	24.7	4.08
Islamic banks should be conscious in investing for environment	0.0	2.1	13.4	62.3	22.2	4.05
Islamic banks investment strategy should not undermine the environment	0.2	2.9	14.0	60.4	22.4	4.02
Islamic banks should directly contribute to community development projects	0.2	2.3	15.7	63.1	18.7	3.98

Islamic banks should contribute to the expansion of green areas (e.g. planting trees)	0.6	3.6	17.4	56.6	21.8	3.95
It is the banks obligation to ensure a better living of society in the future	0.2	13.8	15.1	61.4	9.4	3.66
It is the banks obligation to alleviate poverty	1.0	17.8	22.0	51.6	7.5	3.47

6. Conclusion

The aim of this paper was to evaluate the perception of Malaysian IBF customers in relation to CSR and sustainability. The most important part of this study is to link the idea of CSR with sustainable development of Islamic banks in the competitive market.

The study reveals that although majority of the respondents have knowledge on CSR, sadly, only half of total number of the respondents are clearly aware that their respective Islamic banks contributes to CSR initiatives. While the result does not indicate a low level of awareness, yet it is still not reaching a satisfying figure. Besides, lack of awareness on CSR was ranked at 6th place in the results for factors that prevents Islamic banks to practice CSR at large. It was suggested that the Malaysians CSR level of awareness in general was low and was affecting the Islamic banking industry as well.

Interestingly, despite the knowledge and awareness issues, majority of the Malaysians are prepared to move to an ethical and morally dimension banking system. Demands were made to ensure Islamic banking to be unique in many ways especially in creating an ethical and socially responsible environment that is in line with the tenets of Islam. In addition, it is also a potential role for Islamic banks to contribute to sustainable development. Customers of Islamic banks do not only recognise charitable activities and *zakah* distribution as CSR initiatives anymore, in fact a wider dimension is indeed required. This is very crucial, so that Islamic banks could not only improve on community development but also economic development which is among the roles of CSR and sustainable development.

Although the awareness on being ethical and socially responsible is there, the customers of Islamic banks has yet to commit to the main roles of sustainable development in ensuring a better living for society and alleviating poverty. The survey reveals that these roles are least favourable and placed at the bottom of the table indicating that customers of Islamic banks believed that it is not the obligation of Islamic banks to perform these activities.

Among the factors that may suggest Islamic banks from performing CSR were lack of commitment for CSR, lack of Islamic ethics and not prioritised as important. This suggest that reaching *taqwa*-centric is still utopian since there is no inner force or will to become ethical nor performing it for the cause of god-consciousness. These main obstacles may contribute to the behaviour as to why Islamic banks could not ensure a better living for society and poverty alleviation. In fact, Islamic banks also are still more driven to commercial orientation making it less possible to being socially responsible for the cause of seeking Gods pleasure.

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