STRATEGIC CORPORATE SOCIAL RESPONSIBILITY IN MALAYSIA

Edited by
Rusnah Muhamad and Noor Akma Mohd Salleh
8 Corporate social responsibility practices in Islamic banks

Fatimah Noor Rashidah Mohd-Sofian and Rusnah Muhamad

Introduction

The Islamic financial services industry (IFSI) is the fastest growing sector worldwide (Hearn, Piesse, & Strange, 2012), with global Islamic financial assets estimated to be US$2 trillion in 2014 (Grewal, 2015). Islamic banking is the most established and leading sector in the IFSI (Grewal, 2015). The Islamic banking sector has dominated 80% of global Islamic financial assets (Groff & Ahmed, 2015) due to the fast growth in assets (Grewal, 2015), a wide range of products (Kammer et al., 2015), and the expansion of locations (Islamic Financial Services Board (IFSB), 2015). However, the recent global macroeconomic landscape associated with the oil crisis, lower energy and commodity prices, geopolitical conflicts, and depreciation in the exchange rates has caused weaker confidence amongst consumers and investors in the global economy (IFSB, 2016). Consequently, for the period from 2014 to 2015, the Islamic banking sector slowed by 1.4% (IFSB, 2016). It is suggested that the involvement of Islamic banks in corporate social responsibility (CSR) activities could further expedite the growth of Islamic banks and ensure the sustainability and competitiveness of the sector (Ernst & Young, 2013; Securities Commission Malaysia, 2011). Indirectly, the involvement of Islamic banks in CSR activities will be of benefit not only to the Islamic banking sector, but to society and the environment as well (International Institute for Sustainable Development, 2013). The concept of CSR is to act beyond philanthropic activities and to commit to the economic, social, and environmental aspects of the organisation’s objectives in order to achieve sustainable growth (Apaydin, 2015; Tuhin, 2014). According to Tuhin (2014), the involvement of a bank in CSR activities can create awareness about banking operations and increase the loyalty and confidence of stakeholders, thereby establishing a good reputation and improvement in terms of the investments and deposits for the bank. From an Islamic perspective, CSR has been extended to spiritual and religious obligations, which are derived from the Quran and Sunnah (Abu Bakar & Md. Yusof, 2015). Platonova (2015) highlighted that CSR is an integral part of the Islamic moral economy, which aims to improve human and economic aspects to achieve the objectives of social justice. In the Islamic framework of CSR, Islamic banks are socially responsible to


