INTRODUCTION

The concept of Corporate Social Responsibility (CSR) has become a mainstream issue among business communities in recent years. A key part of that agenda is to address the fundamental idea that corporations have obligation to work for social betterment (Frederick, 1994). Chambers et al. (2003) argue that globalisation appears to be the most important drivers for business corporations in developing countries to practice CSR. Corporations that venture into international market have felt the pressure to improve their CSR standards to measure up their expectations of their global stakeholders to remain competitive. Despite increasing attention has been accorded to CSR in developed countries, very few is known of the research of CSR in Islamic banking industry. Therefore, there is a gap in knowledge on current CSR practices in Malaysia particularly from the perspective of Islamic banks. This article is organised as follows. Section two discusses the literature review on CSR. Section three explains research methodology, and followed by a discussion of the findings and conclusion.

CSR AND ISLAMIC BANKING

The notion of CSR refers to the idea that corporations have obligations beyond profit orientation which include protecting the environment, caring for employees, being ethical in trading, and getting involved in the social and philanthropic activities. Although there are more than 25 different definitions offered by academic scholars (Carroll, 1999), one of the mainstream definitions is incorporated in the ‘Commission of the European Communities and the Financial Times Top 100 Index’:

“CSR is corporations being held accountable by explicit or inferred social contract with internal and external stakeholders, obeying the laws and regulations of government and operating in an ethical manner which exceeds statutory requirements.”

In a more comprehensive approach, Carroll (1979, 1991) attempted to integrate previous conceptualisations by introducing a four element of CSR; economic, legal, ethical and philanthropic. She believed that corporations not only have the economic responsibility of being profitable and the legal responsibility to follows laws and regulations that guide their ability to achieve economic objectives, but they also have ethical and philanthropic responsibilities that encompass social norms and standards (Carroll, 2000; Shahin and Zairi, 2007). Carroll (1979, 1991), proposed a famous definition of CSR, suggesting that corporations are bounded with four elements of responsibilities. The four elements are economic, legal, ethical and philanthropic responsibilities and also known as ‘The Pyramid of Corporate Social Responsibilities (CSR)’. The economic responsibilities designed to fulfil societal needs and wants by producing products and services to them. Legal responsibilities of business corporations embrace the expectation of the society to pursue their objectives within
the framework of the law (Dusuki, 2005). It is important to note that corporations are bound with various federal, state and local rules and regulations. Ethical responsibilities refer to the ethical responsiveness of the business corporations as expected by the society. It is important for the business corporations to recognise what is right and what is wrong so that they can provide fairness and justice to the societal members. Lastly, philanthropic responsibilities refer to the common desire to see business contribution in terms of financial and non-financial resources to the betterment of society and community.

The understanding of CSR in Islamic banking, however, offers a difference philosophical perspective. This is because the responsibility of corporations in Islam takes a rather holistic approach, which stem from the teaching of the Quran and the Sunnah (saying and practices of the Prophet Muhammad). Although the Islamic banking offers similar functions and services as the conventional banking system (Chapra, 1985; 2005; Khir et al., 2008), the fundamental structures are derived from the framework of Islamic Shariah. Scholars such as Chapra (1985), Ghani (1999), Dusuki (2005) and Khir et al. (2008) argued that Islamic banking system operates within dual parameters; legal and ethical dimensions. Based on legal and ethical dimension of the shariah principles, Islamic banking operations are confined to the following guidelines (Rosly, 2005; Khir et al. 2008):

1. The prohibition of *riba* (usury/interest) – Islam prohibits Muslim from taking or giving *riba* regardless of the purpose for which such loans are made and regardless of the rates at which interest rate is charged.
2. The prohibition of *gharar* (uncertainty/speculation) and *maysir* (gambling) – under this prohibition, any economic transactions under Islamic banking system should be free from hoarding, uncertainty, speculation and gambling.
3. The prohibition in engaging *haram* (religiously non-permissible) activities – Islamic banks participate in business activities that do not violate the rules of shariah. Any investment in business dealings with alcohol, casinos, pork and pornography would be strictly prohibited.

Islam also requires that business should give the needy a specific portion of wealth. This contribution is called *zakat* and is usually about 2.5 percent of wealth or profit. The main philosophy of *zakat* contribution is to narrow the gap between the rich and the poor as well as to reduce social inequality through philanthropic activities.

Essentially, the philosophical feature of Islamic banking is to establish socio-economic justice that is derived from the principle of general mutual responsibility and the principle of social balance (Khir et al., 2008). The fundamental concept of CSR in Islam is to promote social justice and brotherhood. The commitment of Islam to justice and brotherhood demands that Muslim society take care of the basic need of the poor (Naqvi, 1981). This flows from the fundamental concept of *tawhid* (unity of God), which requires a total commitment to the will of God. Based on the axiom of *tawhid*, the main objectives of social responsibility should be to demonstrate responsibility to Allah, society as well as to the environment (Muwazir et al., 2006). Importantly, man is seen as a central element for the system to be effectively working in the right direction and hence, the concept of CSR in Islamic business is to encourage social and philanthropic activities.
METHODOLOGY

This study adopts cross-sectional design or survey design. The self-completion questionnaire survey was thought to be the best research methods in collecting the data. It allowed quantitative analysis to be conducted in the testing of inferences and also its ability to generalise the findings. The population consists of executives from Islamic banking industry in Malaysia. The questionnaire was design to measure respondents’ perception towards issues pertaining to distribution level of social and philanthropic activities of Islamic bank. The respondents were asked to rate each statement on a five-point Likert scale of 1 (strongly disagree) to 5 (strongly agree). The questionnaire items were designed using 5 point-Likert scale of 1 (strongly disagree) to 5 (strongly agree).

FINDINGS

The questionnaire mailing and follow-up from a total of 150 questionnaires generated 65 responses. This gives the response rate of 43.3 percent, which is considerably sufficient for statistical reliability and generalisation purposes. All questionnaires returned were anonymous. An analysis of respondents’ demographic background reveals that most respondents were predominantly male (75.4 percent) compared to female (24.6 percent). The combination of respondents between age 31-40 and 41-50 represents 78.5 percent of the total respondent. Relatively few were either below 30 years of age (7.7 percent) or over 50 years of age (13.8 percent). The distribution of age indicates that the findings of this study will be dominated by the opinion of the middle-aged respondents.

Table 1 presents the result of the attitude towards social and philanthropic activities. The table shows distribution level, mean and standard deviation for each item. The means suggest that Islamic banking industry have a very positive attitude towards social and philanthropic activities. Respondents agree that by supporting social and philanthropic activities, firms will attract investment and business opportunity. In addition, the result also indicates that respondents recognise the importance of business entity to be part of the community (mean score of 4.40). On the other hand, there is one item that indicates low level of attitude. In total, almost 60 percent of the respondents rate agree-strongly agree/undecided about the statement that social responsibility and profit generation are contradicted to each other. This is supported with mean score of 3.04 and high value of standard deviation (1.375).
## Table 1: Attitudes towards Social and Philanthropic Activities

<table>
<thead>
<tr>
<th>DISTRIBUTION LEVEL (%)</th>
<th>Mean</th>
<th>Std. Deviation</th>
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<tbody>
<tr>
<td>Strongly disagree - disagree</td>
<td>Undecided</td>
<td>Agree - Strongly Agree</td>
</tr>
<tr>
<td>Supporting charities and community projects even if there is probably no profit potential.</td>
<td>12.8</td>
<td>21.3</td>
</tr>
<tr>
<td>Help to solve social problems such as poverty, crime and illiteracy.</td>
<td>4.2</td>
<td>17.0</td>
</tr>
<tr>
<td>The involvement of business in social and philanthropic activities may encourage investment opportunity.</td>
<td>4.3</td>
<td>17.0</td>
</tr>
<tr>
<td>Social responsibility and profit maximisation is two conflicting goals.</td>
<td>42.6</td>
<td>14.9</td>
</tr>
<tr>
<td>Contributing to the solution of social problems such as poverty and crime can be profitable.</td>
<td>19.1</td>
<td>19.1</td>
</tr>
<tr>
<td>Social welfare activities should be left to the government and other non-profit organisations.</td>
<td>72.3</td>
<td>14.9</td>
</tr>
<tr>
<td>Business should realise that it is part of the larger society and therefore it should respond to social and philanthropic issues.</td>
<td>0</td>
<td>4.3</td>
</tr>
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</table>

### Conclusion

This article provides information on CSR landscape among Islamic banks in Malaysia. A descriptive analysis clearly indicates a positive attitude towards social and philanthropic activities among Islamic banks in Malaysia. This result appears to be associated with the objective and nature of the Islamic business concept where business activities are not undertaken to satisfy only material needs but more importantly it must follow and fulfil ethical and social obligation. The findings of this article are consistent with other empirical studies such as Abdul and Ibrahim (2002) and Muwazir et al. (2012). Nevertheless, there are areas of improvement as indicated by the results. Not all Islamic banking executives share the perception that social responsibility and profit maximisation are related and consistent to each other. Attitudes often predict actual behaviour, and therefore, there is a need to improve the attitude towards the perceptions and practices of business corporations towards social and philanthropic responsibilities. The authors hope that this study can be a stepping stone to more comprehensive studies on CSR in the future. It is recommended that future studies involve in-depth interview as how and why CSR is understood and implemented in different countries.
REFERENCES


ACKNOWLEDGEMENT

This article is part of the research outcome financed by the University of Malaya Research Grant (UMRG), Project No: RG403-12HNE.