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ABSTRACT:

The primary goal of this thesis is to further knowledge of Islamic perspectives on corporate social responsibility (CSR) and commercial financial performance in the context of international banking. CSR is a significant subject in business, particularly in Islamic financing. This study first investigates the connection between CSR initiatives conducted by Islamic banks and conventional financial measures frequently used in Western studies, focusing on the efficiency of cost, revenue, and profit. Published investigations that process and approach the connection between CSR and fiscal efficiency in Islamic banking are few, far between, outdated, or narrow in scope. The study also investigates the relationship between CSR initiatives and socioeconomic accounting metrics, which are more in line with the socioeconomic goals of Islamic banks. Finally, the research discusses the amount and quality of CSR in both standalone CSR reports and yearly reports. The study's results indicated that while Islamic CSR activities at Islamic banks are not given more attention, they have been progressively growing in number and quality or efficacy.

Regarding Islamic banks worldwide, there is little evidence supporting the idea that CSR programs are connected to financial and socioeconomic performance. However, the profit-sharing ratio and the Zakat performance ratio provide some evidence that CSR, as evaluated following the Standards, is linked to socioeconomic indices. The survey also discovered that Malaysian Islamic banks prefer to interpret Shariah more liberally to compete due to the multicultural makeup of their clientele

KEYWORDS: *Corporate Social Responsibility, Corporate Governance, Islamic Finance, Shariah*

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1. Introduction

Corporate social responsibility (CSR) has become a topic of significant interest to academics and practitioners. Even so, studies on CSR have increased significantly in recent years because of the increasing number of businesses making strenuous efforts to define and integrate CSR into all facets of their operations due to its favorable effects on business economic success and stakeholder demands that the entities act responsibly during their institutional business activities (Gunardi et al., 2021). Islamic banks are likewise concerned with CSR substantially (Moghul, 2017). Islamic banks are meant to be governed by an Islamic worldview founded on social justice and wellness principles as corporate institutions formed under the purview of Islamic law (Shari'ah) (Moghul, 2017). This assertion holds considerable validity, considering the overall perspective of Islamic financial services and economic management. Practitioners in this domain often perceive their dedication to ethics and social responsibility as relatively more flexible, primarily due to their profound adherence to the principles and tenets of the Islamic faith. The opposed social responsibility and ethical behavior derived from secular liberal human values, which are inescapably transient (Moghul, 2017). Thus, it is essential to investigate the concept of CSR as it relates to Islamic banking and extend the present knowledge on CSR in Islamic banking.

1.2 Background

1.2.1 What Islamic Banking Entails

In society, the idea of banking may take many distinct forms. Globally, there are many different banking systems. However, conventional, and Islamic banking are the most well-liked kinds of banking (Tasnia, 2021). To generate profits, regular banking operations entail borrowing money from client deposits and lending it (Gunardi et al., 2021). The way the Islamic financial system operates is unique. The service partnership concept stipulates that shareholders, borrowers, and savers share in gains and losses and serves as the system's guide (Gunardi et al., 2021). It is crucial to remember that Islamic banking is governed by Sharia law and that all bank activities must adhere to these Islamic standards (Gunardi et al., 2021). Fiqh al-Muamalat, the financial

transaction laws of Islamic banking, are culturally distinct from ethical investment (Gunardi et al., 2021). Islamic banking adheres to religious specifications from Islamic holy books, emphasizing the importance of service partnerships.

One must first comprehend the Islamic banking regulations to grasp how it operates. Interest is fundamental to banking, but if it is outlawed, banks will need to find other creative methods to generate income. Sharia (Islamic Law) must be followed for a financial transaction to be considered Islamic (Gunardi et al., 2021). The phrase can also describe investments that comply with Islamic law. The development of Islamic finance and banking standards coincided with the establishment of Islam (Moghul, 2017). The preponderance of Sharia scholars that concur that the credit price of an item may be higher than the cash price is a significant indicator of the versatility of Islamic financial approaches (Moghul, 2017). Islamic banking's primary objective is to get funds without adding premium fees to the principal sum (Moghul, 2017). To do this, Islamic banks employ value-supporting frameworks (Jusoh & Ibrahim, 2017). They provide funds to a company, and the company repays the loan without interest (Muflih, 2021). Islamic banking adheres to Sharia Law, which the Quran and Hadith established.

1.2.2 Principles of Islamic Banking

1.2.2.1 The Abhorrence for Taking or Paying Interest on Borrowed Money

Muslims cannot simultaneously collect and pay interest under Islam (Riba). It implies that Muslims are prohibited from adding interest on obligations or due money (Moghul, 2017). For example, many Muslims unintentionally obtain money without consciously trying since bank accounts typically accrue interest over time. The Qur'an forbids Muslims from benefiting personally from interest payments and charging interest (Moghul, 2017). It means that if Muslims unintentionally amass interest, they must use it in a fashion that will not profit them. Islam forbids interest for several reasons, chief among them being that it abuses the underprivileged. A person is not in a circumstance where they can benefit from a poor individual when they are affluent enough to lend money to someone in need. Riba is also seen as avarice, and as Islam

places a heavy emphasis on charitable giving, intentionally taking Riba runs counter to its teachings (Moghul, 2017). Islam forbids all transactions, including interest. Some people struggle to comply with the injunction banning interest because they believe that interest and profit from trade are interchangeable terms. Interest is considered usury under Sharia law, which is forbidden.

1.2.2.2 Profiting from Financial Speculation or Gambling

Any gambling or supposition, known as Al-Maisir, is prohibited under Sharia law. It indicates that agreements whose proprietors depend on ambiguous future occurrences are prohibited for Islamic financial institutions to participate (Moghul, 2017). Most speculative activities are inevitable, but Islamic finance forbids the most dangerous ones (Moghul, 2017). Due to human nature's desire for a better future, every economic transaction—including ancient barter systems—involves some element of speculative judgment. Islam only forbids the most unexpected kind of conjecture. Islamic banking has denounced such uncertain and risky speculative activity per Sharia law.

1.2.2.3 The Avoidance of High Uncertainty and Financial Risk

Islamic finance regulations forbid involvement in considerable risk or uncertainty transactions. Gharar is a phrase that describes how legitimately risky or unpredictable assets are (Moghul, 2017). Financial products based on derivatives and short selling prohibited in Islamic finance are examples of Gharar (Moghul, 2017). Islamic banking avoids such elevated levels of uncertainty and financial risk, making the entire banking process safer and less stressful.

1.2.3 Types of Islamic Banking

1.2.3.1 Mudarabah (the Fair Sharing of Profits or Losses in a Joint Undertaking where One Party Has Contributed the Capital)

Kinds of the financing were created to adhere to the Islamic financing principles because Islamic finance is predicated on several constraints and rules that do not occur in traditional finance. A profit-and-loss-sharing partnership known as a Mudarabah is one in which one partner (the financier or rab-ul mal) lends the cash to some other partner (the labor provider or Mudarib), who is then in charge of managing and investing the funds (Moghul, 2017). A predetermined ratio is used to divide the earnings amongst the parties.

1.2.3.2 Musharakah (the Fair Sharing of Profits or Losses in a Joint Undertaking where All Parties Have Contributed Capital)

A cooperative business called a Musharakah involves all participants investing money and splitting profits and losses proportionally. Permanent Musharakah and a declining partnership are the two primary sorts of these joint projects (Moghul, 2017). One of the credit facilities frequently utilized in Islamic banking to buy properties is a decreasing partnership. In this type of financing, the bank and the investor jointly buy the property (Moghul, 2017). The bank then progressively gives the investor its share of the property's equity instead of payments.

1.2.3.3 Ijarah (Leasing of Property for a Period of Time)

In this kind of deal struck, the lessor (who must be the owner of the property) leases it to the lessee in return for a series of rent and purchase installments, with the transference of ownership rights to the lessee coming after the lease (Moghul, 2017).

1.3 Corporate Social Responsibility

CSR is a self-policing business strategy that aids a firm in upholding its social obligations to the public, its shareholders, and itself. Companies may be aware of their influence on society's economic, social, and ecological elements by engaging in corporate social responsibility, often known as corporate citizenship (Moghul, 2017). CSR aids in enhancing several societal issues and businesses' reputations (Tasnia, 2021). For example, corporate responsibility initiatives are an excellent approach to boosting worker morale (Jusoh & Ibrahim, 2017). Environmental implications, moral duty, charitable work, and financial obligations are the four main subcategories of CSR. When a firm practices corporate social responsibility (CSR), it implies that it operates in a way that benefits the environment and society rather than detracts from it.

Corporate social responsibility is a broad term that may take many different shapes depending on the business and industry. Businesses may help society while building their brands through CSR initiatives, charity, and volunteer work (Tasnia, 2021). A firm must be answerable to itself and its stakeholders to be socially accountable (Jusoh & Ibrahim, 2017). Companies that implement CSR initiatives frequently expand their operations to the degree where they can support the community (Moghul, 2017). Therefore, CSR is often a technique that big businesses use. A company has a greater need to provide an example of moral conduct for its associates, rivals, and industry the more prominent and successful it becomes.

Customers are also more inclined to view a business positively if it has taken actions to aid its clients than businesses that have proven they can produce high-quality goods (Muflih, 2021). CSR policies also tend to favorably influence how creditors feel about a company and how they evaluate the firm's value. Finally, it is another benefit for businesses trying to stand out from the competition and beat the market (Tasnia, 2021). Additionally, it is commonly known that employees are more inclined to remain with a firm they trust (Muflih, 2021). Finally, businesses may reduce risk by abiding by ethical standards, avoiding difficult circumstances, and conducting

righteous deeds (Jusoh & Ibrahim, 2017). Therefore, CSR initiatives are advantageous to businesses, and this grows as the exposure and visibility of the CSR initiatives rise.

1.4 Islamic Banking and Corporate Social Responsibility

CSR must uphold society by imagining specific aspirations for socio-economic justice and being conscious of their accountability for the welfare of the community around them, not only taking part in charitable events and initiatives. Islamic banks are subject to this obligation (Tasnia, 2021). Due to their societal function as financial intermediaries, they have higher CSR expectations than regular banks (Jusoh & Ibrahim, 2017). The Islamic banks, as members of the global business community, are uniquely suited to design strategies for social change, align their development objectives with national priorities, and work with other organizations on joint initiatives.

According to the State Bank of Pakistan's December 2021 Bulletin, the market share of Islamic banking assets in the overall banking industry reached 18.6 percent, while the market share of Islamic banking deposits stood at 19.4 percent (Table-1). Moreover, the net financing of Islamic banking institutions experienced a remarkable increase of Rs 716 billion, representing a growth rate of 38.1 percent during the calendar year 2021. This surge in financing marks the highest acceleration in the financing portfolio within a year (SBP, 2021).

Table-1: Industry Progress and Market Share							(Amount in Rs Billion)		
Particulars	Period			Yearly Growth (YoY) in %			Share in Overall Banking Industry (in %)		
	Dec-20	Sep-21	Dec-21	Dec-20	Sep-21	Dec-21	Dec-20	Sep-21	Dec-21
Assets	4,269	4,884	5,577	30.0	28.2	30.6	17.0	17.0	18.6
Deposits	3,389	3,822	4,211	27.8	26.0	24.2	18.3	18.6	19.4
No. of Islamic Banking Institutions	22	22	22	-	-	-	-	-	-
No. of Branches*	3,456	3,651	3,956	7.0	10.5	14.5	-	-	-
No. of Islamic Banking Windows	1,638	1,579	1,442	19.3	13.9	(12.9)	-	-	-
<i>* including sub-branches</i>									

Picture 1: Data submitted by banks under quarterly Reporting Chart of Accounts (RCOA)

While the Islamic banking sector has grown to be a sizeable portion of the global financial market, it has earned a reputation for being a viable and profitable form of financial intermediation. It offers various financial products and services in Muslim countries and beyond the Muslim region (Tasnia, 2021). The fundamental distinctions between Islamic and conventional banking go beyond how they conduct their operations to encompass the beliefs underpinning Islamic banking's whole operation and viewpoint (Jusoh & Ibrahim, 2017). These ideals predominated within the purview of Shari'ah (Islamic law) are reflected in the specifics of its transactions and the breadth of its social implications (Tasnia, 2021). It necessitates internalizing Islamic financial transactional principles' form, spirit, and content. In doing so, it represents the goals of Shari'ah, which include advancing economic and social well-being (Jusoh & Ibrahim, 2017). In other words, Islamic banks must uphold societal commitments that transcend the traditional capitalist viewpoint that merely seeks to maximize profits as Shari'ah-based businesses (Tasnia, 2021). Islamic banks operating according to Shari'ah must diverge even further from traditional banks with a strong focus on profit. Therefore, the objectives of Islamic banks would be the concepts of brotherhood, social duties, justice, and fairness.

Islamic banking experts contend that while Islamic banks do many of the same tasks as traditional banks, they do it in distinctly separate ways. The key characteristics of Islamic banking and finance that set it apart from its conventional equivalent are: First, Islamic banking aspires to the just, equitable, and balanced society that Islamic economics envisions (Moghul, 2017). Second, Islamic finance is based on the tenets of collaboration and fraternity, which support a system of

stake-taking, risk-sharing, and equity-sharing (Moghul, 2017). Thirdly, Islamic banking is distinguished by ethical standards and social obligations as a system based on the ethical and moral principles of Shari'ah (Moghul, 2017). Fourth, Islamic banking places a strong emphasis on productivity, the physical increase of economic activity, and the support of entrepreneurs (Moghul, 2017). Finally, Islamic banking adheres to restrictions that guarantee stable monetary value and minimize disruptive speculation. These traits suggest that Islamic banks should consider CSR as a widely recognized activity.

Although zakat, donating, avoiding Riba (interest), Al-Maisir, and Gharar is among the leading indicators of Islamic banks' CSR, environmental concerns, which are of utmost importance in traditional CSR frameworks, are of least relevance to Islamic banks' stakeholders (Jusoh & Ibrahim, 2017). Furthermore, Islamic financial institutions are frequently accused of simply fulfilling a portion of their social obligations and maintaining their operating status by avoiding prohibited but at least marginally conducting approved operations (Jusoh & Ibrahim, 2017). Most Islamic banks completely disregard other CSR efforts, such as addressing social marginalization and civil liberties, environmental issues, and human capital development (Jusoh & Ibrahim, 2017). As a result, even though CSR forms the foundation of Islamic banking, Islamic institutions sometimes adhere to its ideals. More research is thus necessary to determine what can be done to improve the CSR compliance of Islamic banks and the nature and financial effects of CSR efforts.

Islamic banks are an example of a new class of businesses for which achieving social objectives are at least as essential as doing well financially. The idea of social duty and justice has also been an integral element of Islamic culture for about 1,500 years. Following Islamic beliefs, commercial transactions and the moral goals of society cannot be separated (Jusoh & Ibrahim, 2017). Therefore, although Islam has long emphasized social responsibility, Islamic banking groups need help putting it into practice. For Islamic institutions, good CSR practices must be ingrained in all facets of the business. Indeed, when it relates to encouraging excellent CSR practices, Islamic banking should strive to be the industry leader.

1.5 The Purpose for The Study

Based on prior literature, this thesis examines the study as critical because it will enable the researcher and other academicians to understand precisely how CSR relates to Islamic finance being naturally socially responsible. CSR is vague, qualitative rather than quantitative. Knowing what any company must do to fulfill its corporate responsibility takes work. Therefore, it is essential to conduct thorough research to understand how CSR is manifested in Islamic banks and what benefits it has for these banks. It is also essential to clearly understand what happens to an Islamic bank. When it does not adhere to CSR principles to know what effects a bank's lack of CSR initiatives can have on its operations and ability to create value for its customers efficiently, through conducting this study, the researcher expected to understand the national and regional advantages of CSR initiatives in the context of Islamic banks.

1.6 Research Questions

1. What is the nature and extent of CSR initiatives by Islamic financial institutions?
2. What is the nature of the association between Islamic banks' focus on CSR and their short-term and long-term financial performance in the Islamic banking industry?
3. Do Islamic financial institutions balance their actions toward pursuing profits with their CSR initiatives?

1.7 Research Objectives

1. To understand the nature and extent of socially responsible corporate governance use for Islamic banks on the national front.
2. To understand the advantages of socially responsible policies for Islamic banks on the national and regional front.
3. To find out whether Islamic financial institutions balance their actions geared toward their pursuit of profits with their focus on CSR initiatives.

1.8 Hypotheses

H1: CSR initiatives are widely adopted by Islamic financial institutions.

H2: CSR initiatives positively impact finance performance among Islamic banks.

2. Literature Review

There is a long and varied history associated with the evolution of the concept of Corporate Social Responsibility (CSR). The notion that businesses are responsible for contributing to society is not new. Business's interest in society may be traced back several centuries (Latapi Agudelo et al., 2019). On the global front, manufacturers' humanitarian endeavors date back to the Industrial Revolution (Latapi Agudelo et al., 2019). By the middle to end of the 1800s, there were increasing worries about employees' welfare. The concerns about the new manufacturing system, working conditions, and worker circumstances were brought up by many reformers (Phillips et al., 2019). Whether related to economic prosperity or not, this was when charity began to flourish (Phillips et al., 2019). A wealthy entrepreneur named Andrew Carnegie gave a significant percentage of his income to organizations that supported scientific research and education (Latap Agudelo et al., 2019). He had amassed his wealth in the steel sector. Many industrialists came after him (Phillips et al., 2019). One of these is John D. Rockefeller, regarded as the wealthiest individual in contemporary history and the richest American of all history, who gave more than \$500 million to charitable, educational, and scientific causes. CSR became increasingly crucial to businesspeople in the twentieth century since they instinctively understood that this concept could make or break their businesses. However, this realization came only in stages.

However, up to that moment, there was no official definition of CSR. According to Latapi Agudelo et al. (2019), Howard Bowen, an economist based in the US, gave it a distinct character. In the early twentieth century, between the world wars, businesses began awakening to a sense of their societal responsibility (Phillips et al., 2019). Business managers started juggling the maximum profits by establishing and upholding harmony with the expectations of their customers, employees, and the community by the 1920s and early 1930s (Latapi Agudelo et al., 2019). It resulted in managers being seen as trustees for the firm's many external relationships, which manifested as companies taking on social and economic duties (Latapi Agudelo et al., 2019). Later, with business expansion in the 1940s and during World War II, businesses started to be

considered organizations with social duties. As a result, a broader debate about these responsibilities started to emerge.

Some business researchers delved into CSR for a while, but the idea still needed to be mainstream. After Howard Bowen's work, there was a gap for a few decades (Stutz, 2018). However, it was a big topic among economists in the 1990s. Donna J. Wood wrote, refined, and extended early CSR models by offering a framework for evaluating the effects and results of CSR programs (Latapí Agudelo et al., 2019). The Pyramid of Corporate Social Responsibility was a paper written by Archie B. Carroll, another professor at the University of Georgia, in the same year. (Latapí Agudelo et al., 2019). Since then, "CSR" has developed to mean many different things to firms. Considering society and one's community, even as one does business, has been a cornerstone of business for many years (Phillips et al., 2019). It has potential even in industries such as the financial industry. Understanding CSR in Islamic banking is essential and determining whether CSR initiatives can help a bank be more profitable and perform better overall.

2.1 Previous Studies

2.1.1 What Corporate Social Responsibility Is

CSR has had a long and varied history, but it is still essential to have a clear grasp of what exactly CSR is. CSR refers to business practices that organizations use as a component of corporate governance to ensure their activities are moral and advantageous to society (Stutz, 2018). The management concept known as "corporate social responsibility" encourages businesses to incorporate social and environmental considerations into their daily operations and relationships with stakeholders. According to Cegliński & Wiśniewska (2017), CSR refers to a company's efforts to balance its commitments to economic, environmental, and social goals while also meeting stakeholder and shareholder expectations (sometimes known as the "Triple-Bottom-Line Approach") (Larivière & Smit, 2022). In this regard, it is crucial to distinguish between CSR—which may be a notion for strategic business management—and philanthropy, sponsorships, and other forms of charity. Even though philanthropic exercises can significantly reduce poverty and

immediately improve a company's reputation and brand, the notions of CSR and the triple bottom line (expounded on below) unquestionably extend beyond those things.

2.1.1.1 People

The people category considers all stakeholders (instead of shareholders), including consumers, workers, members of the supply chain, communities in which an enterprise works, and future generations, to mention a few. This part of the triple bottom line is centered on the linkages with CSR (Pereira & Martins, 2021). Based on the triple bottom line model, CSR is described as an obligation on the part of corporations to satisfy their stakeholders and an obligation on the part of stakeholders to hold those firms accountable for their deeds (Larivière & Smit, 2022). Among the programs that an organization could consider as part of its CSR objectives are those that advance human rights, fight against hunger and poverty, ensure gender parity, promote diversity, equity, and inclusion, and promote community involvement and volunteerism (Pereira & Martins, 2021). CSR efforts are advantageous for all parties involved, but it is also crucial for a company to use this business model.

2.1.1.2 Planet

It has become simpler for citizens to hold corporations responsible for their deeds thanks to public opinion, consumer spending power, the speed and openness of knowledge transfer via social media, and sometimes even enterprise activism. When such sentiments are expressed in public, it is likely to affect the companies and individuals that customers choose to support (Pereira & Martins, 2021). Stakeholders are becoming more conscious of the impact businesses have on society, the environment, and the economy and the significance of global concerns like social justice and climate change (Larivière & Smit, 2022). Businesses throughout the world have adopted more strategies to lessen their harmful effects on the environment during the past two decades (Pereira & Martins, 2021). Leading companies have also lately advanced the sustainability movement by having a net-positive or beneficial impact on society and civilization

(Larivière & Smit, 2022). Thus, customers worldwide consider it essential for a firm to participate in business activities that support environmental conservation.

2.1.1.3 Profit

The profitability a company produces for its shareholders, or its financial performance, determines its success in a capitalist system. Critical corporate choices and strategic planning activities are often carefully crafted to maximize earnings while minimizing expenses and risk (Larivière & Smit, 2022). Many businesses' objectives have previously stopped there. Leaders with a purpose now realize they can utilize their companies to change the world without sacrificing financial performance (Larivière & Smit, 2022). Sustainability measures have frequently boosted corporate success (Pereira & Martins, 2021). Businesses may grow their bottom lines while still contributing to the community, which is now accepted as the standard in most global economies.

2.1.2 Internal/Local Advantages of Corporate Social Responsibility Practices

2.1.2.1 Competitive Advantage over other Islamic Banks

The primary purpose of the study conducted by Cegliński and Wiśniewska (2017) is to analyze the relations between CSR activities and competitive advantages. The report goes through the CSR initiatives businesses engage in and the advantages they might bring. The case study of Polpharma is the basis for the article. The theoretical framework for the empirical investigation was developed using the narrative literature review. Findings: Companies that engage in CSR initiatives might reap various advantages that could provide them with a competitive edge. The research of the Polpharma example demonstrates that engaging in CSR activities has a favorable impact on the company's competitiveness and consumer trust. CSR issues are a popular topic of research in the field of management, but they are not often considered from the strategic point of view as presented in this article, and this is the inherent value of this article for this literature review.

Saeidi et al. (2015) asserts that one of the positive impacts of corporate business practices that are socially responsible is that it bolsters a firm's competitive advantage. This study argues that sustainable competitive advantage, customer satisfaction, and reputation are the three main determinants between CSR and performance: sustainable competitive advantage, reputation, and customer happiness. The results from 205 Iranian industrial and consumer goods companies show a moderated mediation association between CSR and business performance. CSR has a net positive impact on competitive advantage, image, and customer happiness, which in turn has a favorable impact on business performance. The results demonstrate that only reputation and competitive advantage mediate the connection between CSR and performance. When considered collectively, these results point to a role for CSR in building image and competitive advantage and simultaneously increasing customer satisfaction to promote business performance indirectly. This study is very appropriate for this literature review since, barring its focus on Western audiences and individualistic cultures, it is objectively conducted and makes sense from a theoretical perspective.

2.1.2.2 Positive Customer Perceptions

Servera-Francés and Blasco (2016) posit that a company's socially responsible business practices increase consumer happiness. Verify how CSR practices affect consumers' perceptions of value and how those perceptions affect their levels of satisfaction and loyalty. A causal model that establishes the link between those parameters has been constructed and empirically verified to attain this goal. A systematic survey was designed to evaluate the hypothesis that was suggested. A sample of 708 shoppers from Spain's contemporary distribution retail outlets (supermarkets and hypermarkets) participated in the poll. All theories put forth by the authors are confirmed. It demonstrates how customer impression of a retailer's CSR policy affects the customer's sense of value, affecting satisfaction and loyalty. This data further supports the indirect impact of CSR. This study is crucial because it empirically shows that CSR policies directly contribute to how customers feel about a brand. However, the brand in question is not necessarily an Islamic bank.

Agyei et al. (2021) focus on the effects of CSR on customer engagement. These authors use structural equation modeling to examine survey information gathered from 293 life insurance consumers. The results show that CSR, customer-brand identity, and customer happiness influence consumer engagement.

The results also demonstrate how CSR impacts consumer happiness and brand recognition. The findings also indicate that the connection between CSR and customer engagement is significantly mediated by customer brand identity and happiness. This study is relevant to the present literature review since it demonstrates how customer happiness significantly increases customer engagement, which boosts customer loyalty and encourages more purchases or transactions that improve the company's income. The only drawback of this study is that it is conducted with insurance firms, not banks. However, the findings suggest that policies per a company's more significant assumption of CSR are essential in increasing customer satisfaction, engagement, loyalty, and subsequent customer purchases.

The study by Kim and Kim (2016) was to evaluate potential customers' perceptions of a hotel's CSR activities. Service and transparency influences relationship quality dimensions like trust, contentment, and customer loyalty. They used a convenient survey of 487 American potential hotel guests as part of their study design. After that, they used a two-step process to examine the theoretical links between the components, first constructing a measurement scale and then examining a structural model. The conclusions concerning hotels in the United States were highly intriguing and diverse in their underlying assumptions and consequences. For example, while service quality directly impacted customer loyalty, corporate social responsibility and image had favorable associations with trust and satisfaction.

Furthermore, openness has a significant impact on consumer trust. Customer loyalty was positively impacted by customer trust. Trust acts as a mediator between consumer happiness and loyalty. This research introduced the motif of customer satisfaction and trust as impacted positively and directly by using socially responsible corporate practices. Chen et al. (2021) relates

corporate practices that are socially responsible to customer trust, increasing the likelihood that customers will repeatedly deal with the same company. This study aims to experimentally investigate the connections among a broad range of corporate social responsibility (CSR) efforts, consumer trust indicators, and business image in an emerging country. Additionally, it examines how consumer trust influences how CSR and business image are related. Two of Pakistan's most well-known hotel brands are the subject of this investigation. Like earlier studies, this research uncovered that a company's consumers' level of trust and how frequently customers decide to do business with it are directly impacted by its adoption of socially responsible commercial practices. However, its incorporation in the current literature review stems from the fact that this study differs from prior CSR research in that it evaluates the relationship between CSR dimensions and company image to investigate customers' trust in an emerging economy, particularly in times of crisis.

2.1.2.3 Stability

Hussain et al. (2020) indicate that, within the sector of microfinance banking in Pakistan, the use of business practices that are socially responsible makes. As a result, a bank will perform nicely and sustainably. Financially speaking, CSR will improve microfinance institutions (MFIs) reputation and ability to obtain capital, increase consumer attractiveness and loyalty, staff motivation, dedication, and financial performance. Interviews with management staff of microfinance banks were conducted to evaluate earlier surveys. A self-administered questionnaire was used to gather information from the administrators of the microfinance banking organizations in Punjab. Using Smart PLS, descriptive and inferential techniques were used to address the study issues. Most microfinance organizations support social responsibility but lack funding and upper management permission; results are consistent with previous research.

These empirical results support the idea that because microfinance banks have capital access, CSR performance is not a performance hurdle for them. The findings showed a significant positive

relationship between CSR and MFIs' financial success. CSR also has a beneficial impact on consumer loyalty, staff attractiveness and motivation, and brand reputation. CSR was linked to capital access but was discovered to be weak. The study is essential in this literature review because it indicates that using socially responsible corporate policies can make a firm perform better and more consistently over the long run.

Rajput and Oberoi (2015) highlight that, across various industries, corporate social responsibility leads to a higher overall financial performance and contributes to a company's stability and sustainability over the long run. Rajput and Oberoi's study used a specially constructed ordinary least square regression model to examine the association between CSR and the organization's financial success as evaluated by sales revenue and profits. CSR and financial success are statistically significantly correlated, according to the statistical study of five hundred corporations from 2013 to 2015. The article also emphasizes the long-term financial advantages for businesses that consistently and creatively participate in CSR initiatives to achieve long-term viability and success. This paper's inclusion is to prove that, across many industries, business practices that are socially responsible do contribute toward a company's likelihood for financial success and longevity in its field of doing business.

Nguyen et al. (2022) investigate all listed Vietnamese companies' performance and ascertain whether their performance is linked to a company's financial performance over five years, finding that there is indeed some correlation, albeit a weak one. This study investigates how corporate social responsibility (CSR) has affected the financial success of Vietnamese-listed firms between 2012 and 2017. The study contributes by examining the effects of social responsibility from three angles—economic, environmental, and social responsibility—in the context of emerging nations. The findings imply that CSR disclosure hurts a company's performance. However, the differing points offer a more comprehensive picture: environmental responsibility exhibits a blatantly adverse effect, while social responsibility exhibits a preferable but modest effect on financial performance. The environmental category of CSR is the most onerous since it necessitates more careful use of investment and government backing to ensure it is more effective. This study errs

in that it divides corporate social responsibility into three aspects, one of which is social responsibility, and it only deals with Vietnamese companies. However, it is empirically and methodologically sound and merits inclusion and consideration in the current thesis.

The paper by Ramzan et al. (2021) seeks to analyze the impact of the use of socially responsible corporate policies on the long-term stability of financial institutions, finding that this use indeed helps companies become more stable and consistent in their performance over time. Using yearly data for 20 Pakistani commercials and financial institutions from 2008 to 2017, this study investigates the effects of CSR initiatives on the financial results, access to financial services, and financial security of the banking industry. The findings imply that with age and size, CSR has a favorable effect on all three parameters. High borrowing levels, however, undermine financial stability and inclusion, and the tangible nature of assets is also inversely correlated with financial inclusion. This study has no serious issues, and its inclusion is primarily because it deals with banks' CSR, highlighting that these practices positively impact financial institutions' stability over the long term.

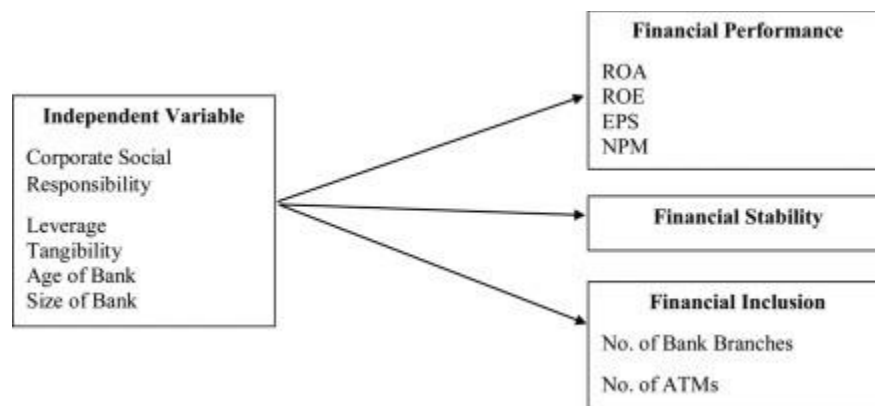


Figure 1: The Impact of the Use of Socially Responsible Corporate Practices (Ramzan et al. 2021)

Pang and Yuan (2019) maintain that practices that imply a company is conscious of its CSR help most companies grow and develop at an accelerated pace and do this consistently. These two conducted a thorough analysis of both domestic and foreign academics, highlighting that most studies have shown a positive correlation between financial performance and corporate social responsibility performance, with irrelevant and ambiguous relationships following and few

studies showing a negative correlation. The survey also reveals that employee-focused CSR policies have the most effects on a company's financial performance, both now and in the future. According to Pang and Yuan's 2019 study, socially responsible business practices are favorably connected with a company's current and long-term business performance or stability. As can be observed, the firm typically needs to satisfy its corporate social obligation. Financial performance includes its linked company value and other connected metrics as part of its effectiveness in the domestic and international literature reviews. This study has been constructed using a robust mathematical model and is precisely accurate and sound in its reasoning, hence its inclusion in the present review.

2.1.2.4 Islamic Banks' Corporate Social Responsibility and Improved Financial Performance

A study by Mallin et al. (2014), though dated, demonstrates that CSR practices and financial performance are positively correlated. According to the CSR disclosure index, Islamic banks participate in a broad spectrum of social endeavors both as retail and as a nation. Islamic banks, however, appear to be more dedicated to the board and senior management, financial products/services, and vision and purpose dimensions. In contrast, the environmental dimension receives the least amount of attention. The authors also discover a strong emphasis on more widespread disclosures in Islamic banks' strategies, which suggests that disclosure to a larger stakeholder group strengthens these institutions' credibility. Finally, their results uncover a positive connection between CSR disclosure and profitability.

An article by Faiza et al. (2019) highlights that Western concepts such as CSR are not readily applicable to Islamic banking, which focuses on the best interests of all stakeholders involved. This article, the outcome of research on strategic management, is a literature review on CSR in mainstream and Islamic banks. CSR is not a bizarre concept to the organization; it is more than just a legal issue; it is a component of the business' operating ethics. Both conventional and Islamic banking are inextricably linked to morality and ethics that have to do with the general population. Therefore, having a holistic insider perspective on CSR and Islamic banking is

essential. This article's inclusion provides just that, reminding the reader that it is good to view Islamic banking in its context.

2.1.3 External/Regional Advantages of Corporate Social Responsibility Practices

2.1.3.1 Quicker Expansion in other Countries

An empirical study by Olga Hawn (2013) studies the strategic impact of CSR in the international expansion of firms from emerging markets. Nevertheless, according to Hawn (2013), when a company has firm-level social legitimacy, it is more likely to prosper when it expands internationally and has low home-country legitimacy. (The belief that the firm's activities conform to the rules and values of the host country) (the idea that the policies or practices of a given company in its home country are in tandem with the accepted culture, customs, and mainstream moral values of the people making up the society in the country into which the company is expanding). The study uses a thorough quantitative examination of approximately 5,000 cross-border merger and acquisition business endeavors from 1990 to 2011, where the acquiring companies were based in several developing countries. The findings corroborate the multifaceted perspective of legitimacy by demonstrating that CSR aids in overcoming home-country obstacles, increasing the chance of transaction completion and hastening deal completion. This article is dated, but its insights on international expansion can be regarded as valid since international business practices stay the same over extended periods. The article's insights are invaluable for understanding how CSR expedites international business expansion.

2.1.3.2 Lower Marketing Costs

According to Mahmood and Bashir (2020), socially responsible corporate practices are responsible for expediting the conversion of a company's brand reputation into brand equity, where the public's perceptions are transformed into sales and, thus, revenue. According to their research findings, brand reputation significantly predicts brand equity, and its propensity to do so increases in the presence of CSR initiatives. Additionally, it was shown that CSR programs

focused on ethics, finances, and charity speed up the transition from brand perception to tangible and measurable brand equity. However, in this specific situation, the legal component of CSR in emerging economies was ineffective. These findings are significant for the current literature review, but they may only apply to Islamic banks if they are from the hospitality sector.

Anastasiadou et al. (2018) highlight that international marketing can benefit significantly from CSR initiatives if firms practice commitment to their customers and encourage the same in these customers. This study is critical because it shows that CSR activities are essential through a large statistical sample. However, it needs more corroboration since it is in the field of e-commerce and not financial services that this study has conducted.

2.1.3.3 Increased Access to the Best Personnel

A study by Story et al. (2016) finds that using socially responsible corporate policies can help the company attract and retain top talent, making it a more effective business unit. According to this study, corporate reputation and organizational attractiveness are directly correlated with views of internal CSR activities. However, the only way opinions of external CSR activities were connected was through business reputation and organizational attractiveness. The results show that CSR may boost a company's reputation and attractiveness, which can be used to attract new personnel effectively. Organizations may become employers of choice if they are prepared to implement policies that safeguard and advance their workforces and enhance the condition of the environment and society. Although it did not use a comprehensive data pool, only having used two studies, this paper is crucial for the current review since its findings are generalizable to various industries.

A study by Duarte et al. (2014), though dated, robustly investigates whether the perception of a company as being socially responsible can make working at the company more attractive, finding that this is indeed the case. Furthermore, this study discovered that the perception of an organization's level of socially responsible behavior influences how people decide whether it is a

favorable work environment. Thus, corporate social responsibility may provide a competitive edge in hiring unfamiliar staff. As a result, recruiters may need to consider how they will take corporate social performance statistics into account. Even though it has been quite a while since it was published, this study is critical because it allows the study to conclude that employees are easier to recruit when a company demonstrates that it is socially responsible and cares more than profit.

2.1.4 Criticisms of Corporate Social Responsibility Practices

Sameer (2021) conducts a study that contradicts previous literature on the importance and impact of corporate social responsibility initiatives on the financial performance of public companies in the Maldives. The study also references sources such as those by Hirigoyen and Poulain-Rehm (2015) and Madugba and Okafor (2016) that are decidedly critical of the idea of financial performance (FP) and CSR initiatives being positively correlated. The source by Madugba and Okafor is significant since it shows that CSR initiatives sometimes mean improved financial performance in financial institutions. In fact, for some companies, the impact of CSR initiatives can even be harmful. This study discovered that the perception of an organization's level of socially responsible behavior influences how people decide whether it is a favorable work environment. Therefore, CSR is crucial in hiring and retaining talent.

The research by Sameer (2021) has significance for academia and business regarding comprehending CSR and FP in emerging economies like the Maldives. The CSR framework used in this study, taken from another research article, and not specifically customized as an instrument for the Maldives, is one of the study's key outcomes. Additionally, the representative sample for this study was small because a large population may make generalization impossible. In addition, this may have been Sameer's undoing since using a small sample size also makes generalization easier since many factors impact companies' profitability or the lack thereof. This research advances knowledge of the connection between CSR and FP by demonstrating that only some socially responsible businesses must be successful. It has been included because it offers a

different viewpoint from previous, more optimistic publications. Because of the contradictions in the available literature, a gap in understanding thus exists and should be resolved: is the use of corporate social responsibility initiatives likely to improve a bank's financial performance?

The concept of CSR is new in the business world, and while it has increasingly been a focal point in companies' strategic initiatives, it still needs to be fully understood. Many studies have insisted that CSR initiatives facilitate a company's significant competitive advantage acquisition. Studies prove that CSR initiatives are beneficial for improving a company's financial performance in many ways. One of these ways is by facilitating the creation of a competitive advantage over other companies that are not so socially responsible.

Also, CSR initiatives lead to greater customer engagement, translating into better sales or revenue through the proliferation of repeat purchasing or transacting. These initiatives have also been conclusively shown in the current academic literature to improve a firm's financial stability. On the international front, CSR initiatives have been shown to expedite international expansion, lower marketing costs, and afford a company better access to top talent worldwide. However, some dissenters maintain that CSR initiatives only translate to increased financial performance or business efficiency over the short or long run. In order to resolve this discord, it is essential to conduct further research and find out why the gap exists and what causes it, exploring the findings' implications for Islamic banks' profitability and future business decisions.

3. Theoretical Framework

This research section shows the conceptual framework applied in authoring this thesis. The conceptual framework concepts indicate ideas found in the literature that help in finding evidence that validates the importance of the research question. The conceptual framework can therefore be described as loosely defined descriptive categories, while *explanatory research* can be defined as a formal hypothesis. Furthermore, this thesis is among the available studies that explain the nature of CSR by Islamic banks. Therefore, the conceptual framework in this thesis provides more information on the aspects used in developing a framework that will be helpful in the process of analyzing CSR.

3.1 Islamic Ethical Principles

This thesis uses the Islamic ethical principles that were applied by Mohammed (2007) as the aspect of the conceptual framework. Mohammed's (2007) Islamic ethical principles are suitable for this work because it is evident that Mohammed (2007) evaluated how the principles can be applied concerning the CSR of Islamic banks. The figure below shows that Mohammed championed the Islamic conceptual framework. The principle of framework comprises four Islamic ethical principles, namely, Unity (Tawhid), Equilibrium (Al-Adi), Free Will (Ikhtiyar) as well as Responsibility (Fardh).

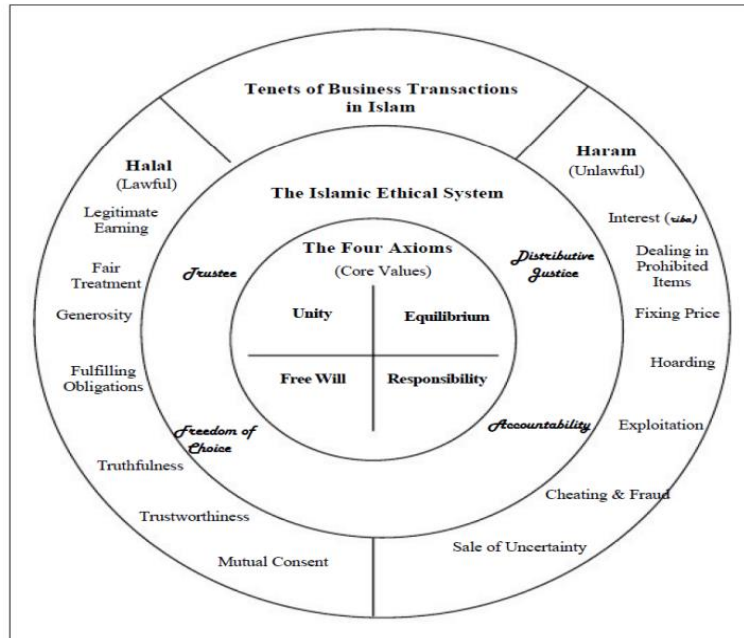


Figure 2: Mohammed (2007)

3.2 Conceptual Framework of Corporate Social Responsibility

Mohammed (2007) concentrates on using Islamic principles in business activities that represent CSR activities. However, Mohammed (2007) needs to put in corporate social reporting (CSR) that is important in displaying the availability of Islamic ethical systems business activities. Mohammed systematically describes the CSR activities applied by Islamic business firms. Nevertheless, the omission of CSRep limits society from assessing the social performance of businesses. This study explains how Islamic ethical principles are linked to Muslim responsibilities to God, people in general, and the surrounding. The mentioned obligations will be incorporated into the framework of Islamic CSR since society should evaluate the level of application of Islamic ethical principles in corporate activities.

3.3 Relationships and Obligations in Islam

The relationship and obligations surrounding Islamic lives should be managed per Islamic ethical principles. According to Muwazir and Muhamad (2006), Tawhid comprises three Islamic relationships and obligations. They include man and God, man and other people, and man and his surroundings. Here, man represents individuals of all gender. Furthermore, Muwazir and Muhamad (2006) provide an Islamic business disclosure that relies on Tawhid's paradigm. It stresses the three above-mentioned related associations described below. The relationship between Allah and Man is characterized by love, obedience, peace, trust, and gratefulness.

However, Allah, the Almighty, can know all the secrets of human beings. Muslims, therefore, fear God because they understand that He is always watching and recording their actions in the judgment book. It makes them adhere to Shariah requirements in all their endeavors. While relating with one another, human beings should concentrate on aspects such as trust, loyalty, truthfulness, tolerance, love. Muslims are required to be socially conscious by demonstrating acts of generosity towards dependents. Concerning business organizations, management must respect the rights of the individuals involved. Examples of such individuals are stakeholders, employees, and suppliers. Even though the Islamic religion stipulates that Allah created the universe and its components for human beings, the religion emphasizes that they should not do acts of mischief in the world. According to the Islamic perspective, individuals and organizations participating in business activities should utilize natural resources to avoid damaging the environment. A business social disclosure model by Muwazir and Muhamad (2006) is grounded on the three mentioned relationship that initiates and shape a broader view of the CSRep Islamic corporate organizations.

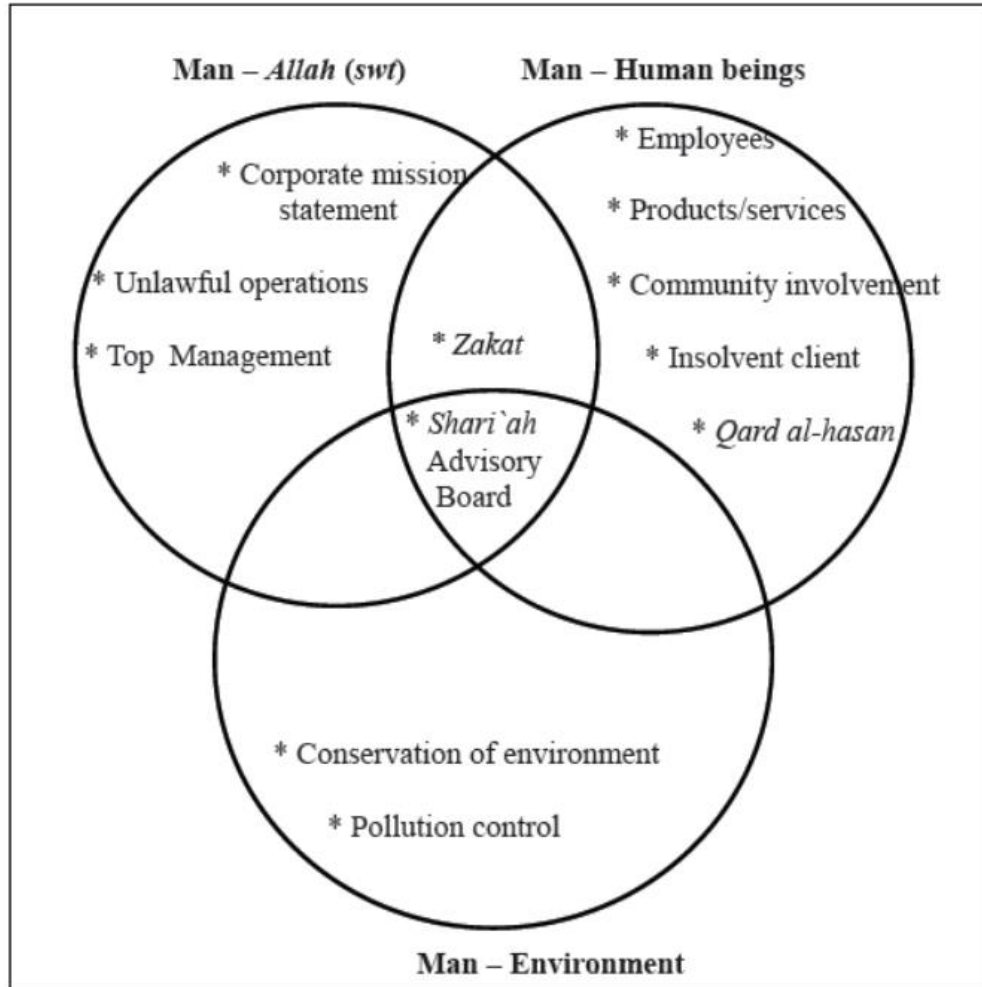


Figure 3: Islamic Corporate Social Disclosure Framework as per Tawhidic Paradigm

According to Muwazir and Muhamad's (2006) model, disclosures related to corporate mission statements, illegal acts, and Top management are classified under the Man-Allah relationship. The mission statement should align with the concept of accountability to Allah SWT, leading Islamic banks in the desired track. Also, Islamic banks are not expected to engage in unlawful activities against the Islamic Shariah principles. Islamic banks should give honest information about their operations by correctly describing halal and haram.

Both workers, services, bankrupt customers, and Qard al-Hassan belong to the Man-Human beings relationship category. Islamic culture encourages aspects of social justice while overseeing workers. For example, the employees should be treated as human beings and not machines or tools. Also, products and services should be environmentally friendly, meaning they should not negatively impact the world. In terms of community involvement, Islamic banks should improve the conditions of the society in which they function and make money.

Furthermore, Islamic banks should be less strict on debtors who experience challenges paying off their debts. Islamic individuals are always offered the Qard al-Hassan to assist them in expressing the aspect of cooperation and good relation between debtors and creditors. Harahap (2003) emphasizes that accounting is a building block of the Tawhid process. On the other hand, Hanifa and Hudaib (2001) emphasize that Islamic accounting helps organizations attain socioeconomic justice and identify the fulfillment of Responsibility to Allah.

3.4 Social Relations System in Islam

Islamic ethical principles require individuals to use a specific mechanism to maintain a good relationship with God. According to the figure above, one should reflect on the social relation arrangement, which is the suitable framework for describing the context of social reporting by business organizations owned by Muslims. This system comprises theories of accountability, social justice as well as trust. All Muslims are accountable to Allah and their surrounding community for their daily activities. The aspect of accountability is always essential to any

Muslim's belief. The individuals who believe in the Islamic religion should therefore be ready to fulfill their duties and obligations per the Holy Quran. The fact that Allah entrusted the world with many resources explains why it is vital for individuals to take advantage of the trust, according to Shariah. In terms of economic and social purposes, all the actions performed by the management and capital providers are accountable. This type of accountability applies to the entire community or society. According to Abdallah and Murtuza (2005), the Hisda institution was created to support and encourage accountability and eradicate economic exploitation.

Islamic culture encourages the issue of social justice and Responsibility in all facets of life. Akhwa always unites Musli. The act of harming or preying on one another is against Islamic law. It is, therefore, the Responsibility of other Muslim individuals to help their Muslim counterparts experiencing issues such as social injustices. For instance, Islamic law is against the issue of caring for wealthy individuals and neglecting the poor. Therefore, Muslims engage in charity to do away with poverty in society. Helping the poor is also important because it allows them to become independent and self-supporting. According to Rammal (2010), a "hadith" explains how the prophet Muhammad identified the needy man and offered him an axe to help him cut wood instead of providing the man with what he required.

Furthermore, the Islamic culture requires Muslims to treat themselves fairly and. Shariah was established to spearhead the aspect of social justice and equal distribution of resources. The practices related to Shariah can only be attained in case justice is reached. Shariah encourages social justice and welfare in a particular community for Allah's sake to get God's blessings and be successful. Concisely, Shariah offers numerous tools for Muslims to help achieve social justice, equitable power, and distribution of resources.

Islamic culture interprets the issue of ownership and private property differently from western culture. According to Islamic culture, the aspect of ownership of wealth is never absolute. Humans are always trustees, while Allah is the rightful owner of business property. It implies that individuals have limited ownership rights to their wealth. According to the trustee-ownership principle, the issue of ownership should be performed to benefit the entire society and the business owner. The figure below shows the framework of social relations.

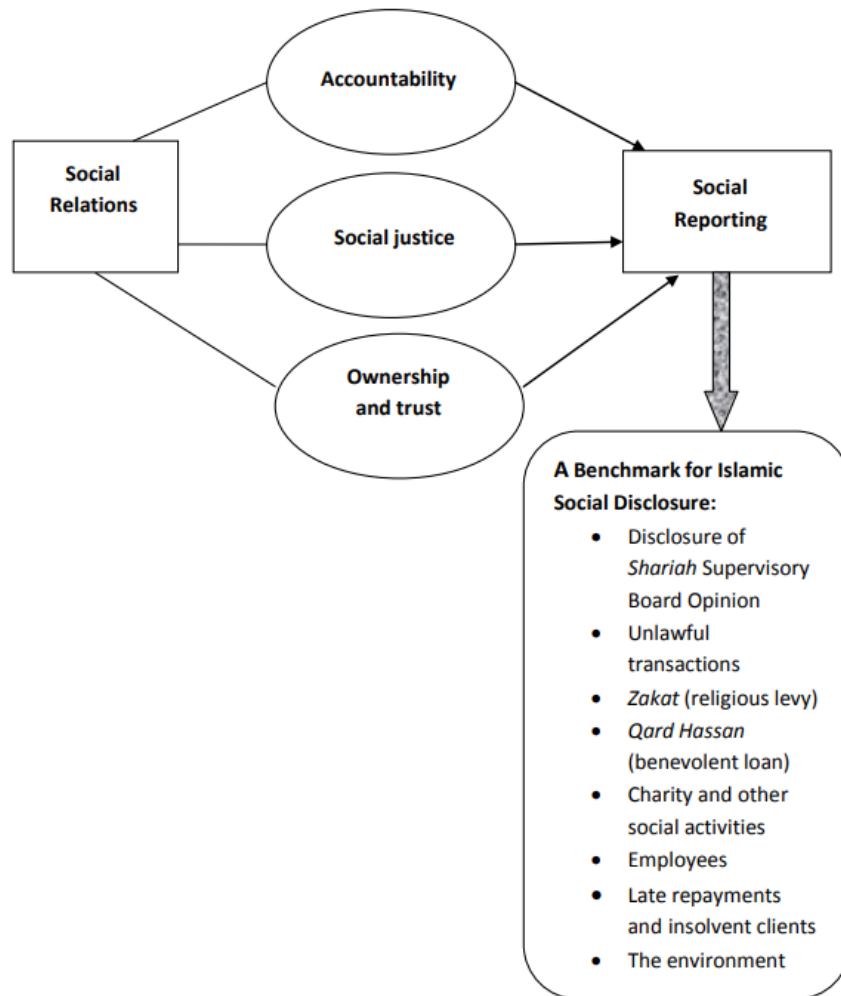


Figure 4: Social Relations Framework Maali et al. (2006).

Maali et al. (2006) framework concentrate on the Islamic CSRep, which is not discussed in Mohammed's (2007). However, a few elements in Maali et al. (2006) resemble those in the Islamic ethical system championed by Mohammed (2007). Such elements include social justice, accountability, and trustworthiness. Notably, Mohammed focused on CSR practices. Maali et al. (2006) also term social reporting as displaying social relations encouraged by the Islamic culture. However, the framework needs to be clarified regarding the relationship demonstrated by Muwazir and Muhamad (2006).

3.5 Applications in Corporate Social Reporting of the Islamic Ethical Principles

Maali et al., (2006) The Unity of God, also known as the (Tawhid) principle, is an important principle, while the focus of equilibrium, Free will, and Responsibility follow it. The other principles originate from the (Tawhid) principle, proving they match one another. The Islamic principles should not be termed discrete because the principles originate from a religious foundation. The principles describe complementary and overlapping perspectives while applying corporate social reporting activities.

The (Tawhid) principle is an Islamic foundation belief that describes the unity of God, who is the sole creator. Other Islamic principles originate from the (Tawhid) principle. The principle of unity encourages human beings to act courteously and carelessly. Furthermore, the principle emphasizes that Allah is the owner of the resources present in the world, and He assigns human beings the role of being his vicegerent. Therefore, human beings are supposed to utilize the resources Allah offers through Shariah. They are also expected to be both trustworthy and non-discriminatory. All this corresponds with the social relations system's spirit of ownership and trust. It is therefore expected that Muslim individuals engaging in business activities embrace the aspect of truthfulness and trustworthiness and avoid being greedy or discriminating against others. All these mentioned activities help in creating humankind.

Islamic organizations need to understand the command given by Allah and conduct their business activities with stakeholders in a trustful manner. Corporate social reporting helps Islamic business owners to gain the trust of their stakeholders and God. Therefore, Islamic organizations must disclose their information to either Shariah Supervisory Board or workers. Appropriate disclosure of the policy and terms of products and services helps evaluate the issue of no hoarding in each organization. Since acts of exploitation and discrimination are unacceptable in the Islamic culture, the disclosure of related to employees in terms of their salaries and bonuses, educational background, and the training levels of the workers, policies, and working environment can assist users in evaluating if the organizations' deeds are.

Equilibrium is a type of principle which shows how human life is balanced. Allah created all things on this earth with a purpose. God's SWT offered all individuals the capacity to think to maintain equilibrium and produce the perfect social order. The equilibrium principle relates to the association between man and human beings. Men and organizations should therefore uphold a state of equilibrium facets such as the socioeconomic aspects in the community. Distributing wealth in a fair and impartial manner helps attain balance in society, which leads to achieving social justice. Therefore, the equilibrium principle obtains social justice from the social relations systems.

Islamic business firms like banks should reveal information related to businesses, social savings, and investments. Disclosing businesses, social savings, and investments shows that all banks owned by Muslims exercise the principle of equilibrium by sharing gains and losses on investments. Moreover, disclosing information by the financial firms demonstrates how Islamic banks are devoted to social dimensions. They prioritize projects and investments that encourage equality and social justice in the community.

The free will principle refers to the liberty to choose whatever is right. Allah has given humans the freedom to select the method of managing resources available in this world. According to the free will principle, all individuals have states of intrinsic goodness. Thus, Muslims must fulfill

obligations relating to their social Responsibility and help the needy in society. Islamic business organizations should also reveal their role in improving the issue of economic growth and managing social issues like housing and literacy. The responsibility principle demonstrates the relationship between Allah, human beings, and nature. The Al-Quran emphasizes that Allah SWT created all the things that exist in the world and gave humankind the power to look after his creation. Therefore, it makes human beings accountable for all the activities that occur in the world. Ishaque (1978) states that the Islamic culture's accountability comprises necessary disclosure and accountability principles. Islamic organizations are therefore expected to discharge their accountability by embracing the element of full disclosure.

3.6 Social Pressure

Hassan (2010) emphasizes that social pressure is affected by a particular nation's culture and economic level. For instance, advancement in a specific nation's culture and economic level changes society's perceptions. It makes society to be more attentive to social and environmental issues. Therefore, it results in social pressure on firms concerning their social Responsibility. According to Hassan (2010), society's level of pressure experienced by the industry depends on the size of the industry or company. Therefore, there is a likelihood that Islamic business organizations encounter the issue of social pressure for corporate social disclosure. Islamic banking is, therefore, likely to experience immense social pressure while Islamic financial institutions perform social and financial roles. While performing their roles, Islamic banks tamper with the perceptions and behavior of people operating within their business community. While performing their economic role, banks perform their social roles by controlling a lot of funds and revenues.

3.7 Financial Performance or Economic Consequences

Social and environmental activities such as social disclosure can affect business firms' financial performance. Profitability helps Islamic banks to compete effectively with other conventional banks. Islamic business organizations should not focus on profits while conducting business activities, even though it is normal for human beings to chase after profits in businesses. Islamic business organizations help in the process of redistributing income and eradicating poverty. This work suggests an integrated and comprehensive framework that can be used in corporate social reporting according to Islamic culture.

3.8 Incorporating CSR Theories in the context of Islam.

CSR plays a crucial role in developing contemporary business in a globalized economy. According to Fredrick (1986), social and ethical verdicts should be expected in many business endeavors that align with an Islamic perspective. This study also mentions examples of the criticisms of the Western CSR theories that rely on both human ethical and moral perception. There are higher chances of overcoming the weaknesses in the western CSR theories once they are combined with religious thought. According to the study, integrating the social contract theory and the stakeholder theory in the Islamic setting can overcome the above weaknesses since Islam provides an eternal and absolute comprehensive approach. Islamic business organizations usually disclose Islamic CSR because it is always part of the Islam contracts. Islamic accounting plays a crucial role in helping Muslim stakeholders gather the information that helps assess if business organizations comply with Shariah. Muslims should therefore understand that Allah entrusted them with the task of taking diligent care of his creation by maintaining trust, equity, and balance.

3.8 Summary of the Conceptual Framework

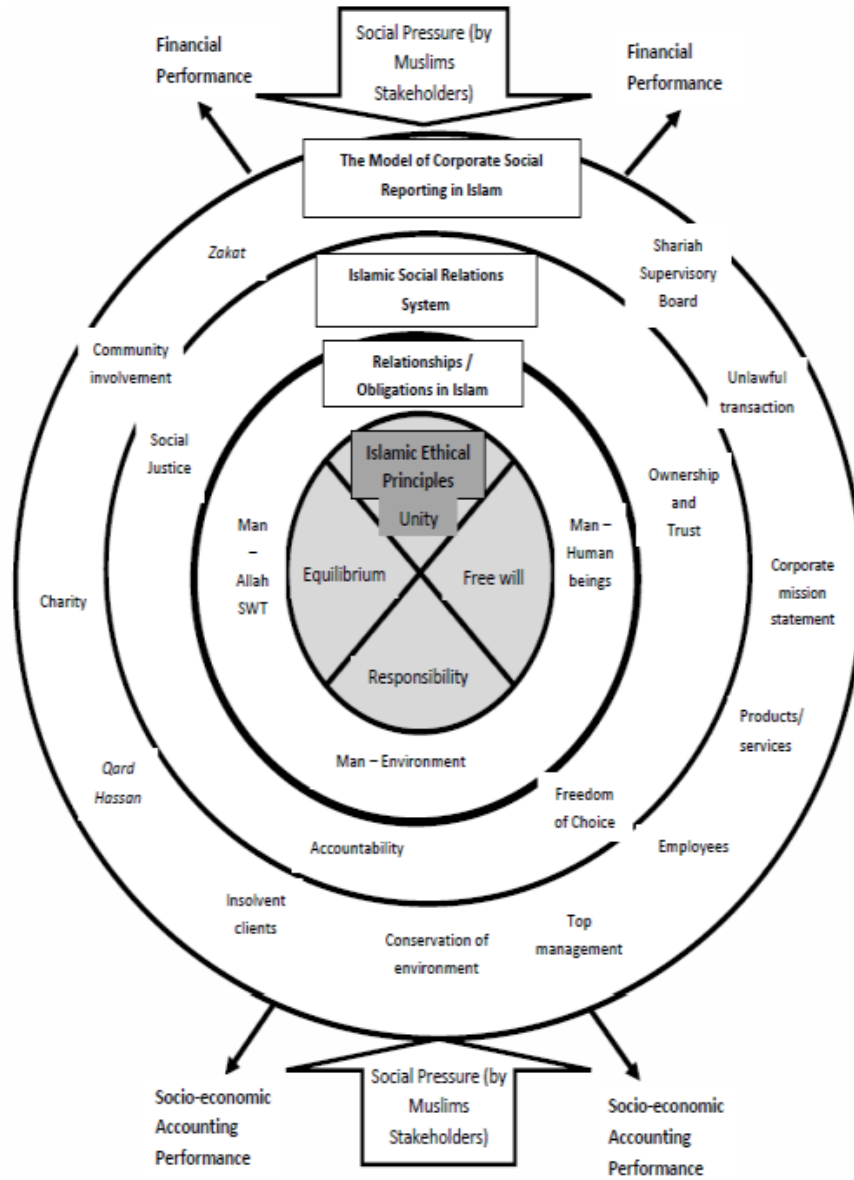


Figure 5: Conceptual Framework Mohammed (2007); Muwazir and Muhamad (2006); Maali et al. 2006

The work in the above sections demonstrates how the conceptual framework was established. For instance, the first figure in the conceptual framework section shows the projected conceptual framework for CSR in Islam. The figure shows the intricacies of learning CSR and CSRep in an Islamic setting. The circle at the center of the figure shows the core of the framework known as the ethical system. It comprises the principles of unit, Equilibrium, Free will, and Responsibility.

The principles originate from Mohammed's (2007) study. The other circles show the Islamic obligations that should be managed per Islamic ethical principles. The mentioned obligations originate from a survey by Muwazir and Muhamad (2006) recommending adopting Islamic corporate disclosure comprising the three obligations. The third circle shows the components of the Islamic social relations system. The outer circle shows disclosure items of corporate social reporting according to Islamic thought. The arrows pointing inwards in both models in this theoretical framework indicate the social pressure that is likely to be experienced by many Islamic business organizations with Muslim stakeholders. The arrows that point outwardly show how CSR links with the traditional financial performance in any- given Islamic business organization.

4. Research Methodology

4.1 Research Design

The study's methodology is described in this section. The following is the section's flow: The goal of the study that is being undertaken must be considered when designing the research. In order to ascertain if CSR efforts genuinely have positive benefits when implemented by Islamic banks, this study investigates the scope and type of CSRep of Islamic banks. As a result, this study is exploratory, with content analysis, qualitative methods, and case studies used to collect and analyze the data. Additionally, certain descriptive statistics are gathered.

4.2 Sample Selection

Eighty-five globally active Islamic banks make up the population sampled. In addition, they include the eighty-five largest banks by assets under management, as outlined by Money Gate (2022). Therefore, examining Islamic banks' yearly reports and CSR reporting from 2016 to 2021 provides the information needed for corporate citizenship reporting procedures.

These Islamic financial institutions include the following:

Table 1: Islamic banks *Money Gate (2022)*

#	Bank Name	Country	Assets (\$B)
1	Al Rajhi Bank	Saudi Arabia	97.298
2	Dubai Islamic Bank	UAE	60.899
3	Kuwait Finance House	Kuwait	58.515
4	Maybank Islamic	Malaysia	54.459
5	Qatar Islamic Bank	Qatar	42.088
6	Abu Dhabi Islamic Bank	UAE	34.085
7	Alinma Bank	Saudi Arabia	32.398
8	Parsian Bank	Iran	31.024
9	Masraf Al Rayan	Qatar	26.723
10	Bank Rakyat	Malaysia	25.846
11	Al Baraka Banking Group	Bahrain	23.809
12	CIMB Islamic Bank	Malaysia	23.58
13	Bank AlBilad	Saudi Arabia	19.629
14	Bank AlJazira	Saudi Arabia	19.46

15	Emirates Islamic Bank	UAE	15.894
16	RHB Islamic Bank	Malaysia	15.867
17	Bank Islam Malaysia	Malaysia	15.461
18	Public Islamic Bank	Malaysia	15.034
19	Boubyan Bank	Kuwait	14.307
20	Noor Bank	UAE	13.809
21	Qatar International Islamic Bank	Qatar	13.805
22	Barwa Bank	Qatar	12.185
23	Sharjah Islamic Bank	UAE	12.182
24	Al Hilal Bank	UAE	11.883
25	Islami Bank Bangladesh	Bangladesh	11.528
26	AmBank Islamic	Malaysia	10.345
27	MBSB Bank	Malaysia	10.343
28	Ithmaar Bank	Bahrain	8.296
29	Hong Leong Islamic Bank	Malaysia	7.792
30	Bank Islam Brunei Darussalam	Brunei	7.385
31	Warba Bank	Kuwait	7.221
32	Kuwait International Bank	Kuwait	7.141
33	Bank Syariah Mandiri	Indonesia	6.818
34	Meezan Bank	Pakistan	6.769
35	Ajman Bank	UAE	6.165
36	AFFIN Islamic Bank	Malaysia	6.13
37	Jordan Islamic Bank	Jordan	5.864
38	Bank Muamalat Malaysia	Malaysia	5.607
39	Faisal Islamic Bank of Egypt	Egypt	5.383
40	HSBC Amanah Malaysia	Malaysia	4.921
41	Sina Bank	Iran	4.901
42	Al Salam Bank	Bahrain	4.536
43	First Security Islami Bank	Bangladesh	4.349
44	Export Import Bank of Bangladesh	Bangladesh	4.316
45	Kuwait Finance House (Bahrain)	Bahrain	3.991
46	Al-Arafah Islami Bank	Bangladesh	3.979
47	Bank Muamalat Indonesia	Indonesia	3.968
48	OCBC Al-Amin Bank	Malaysia	3.877
49	Al Baraka Bank Egypt	Egypt	3.491
50	Bahrain Islamic Bank	Bahrain	3.396
51	Islamic International Arab Bank	Jordan	3.043
52	Shahjalal Islami Bank	Bangladesh	2.902
53	Bank BNI Syariah	Indonesia	2.846
54	Abu Dhabi Islamic Bank – Egypt	Egypt	2.759
55	Bank BRI Syariah	Indonesia	2.629
56	Al Rayan Bank	United Kingdom	2.505

57	Bank Nizwa	Oman	2.266
58	Khaleeji Commercial Bank	Bahrain	2.257
59	Kuwait Finance House (Malaysia)	Malaysia	2.248
60	Al Baraka Islamic Bank	Bahrain	2.18
61	Standard Chartered Saadiq	Malaysia	1.901
62	Al Rajhi Banking & Investment Corporation (Malaysia)	Malaysia	1.833
63	Alizz Islamic Bank	Oman	1.774
64	Union Bank	Bangladesh	1.758
65	ABC Islamic Bank	Bahrain	1.745
66	Dubai Islamic Bank Pakistan	Pakistan	1.666
67	Bank Aceh Syariah	Indonesia	1.601
68	Safwa Islamic Bank	Jordan	1.581
69	BankIslami Pakistan	Pakistan	1.559
70	Palestine Islamic Bank	Palestine	1.104
71	Arab Islamic Bank	Palestine	1.062
72	Al Baraka Bank (Pakistan)	Pakistan	926
73	Qatar First Bank	Qatar	895
74	Bank Tabungan Pensiunan Nasional Syariah	Indonesia	835
75	First Energy Bank	Bahrain	826
76	Al Baraka Bank Syria	Syria	769
77	Syria International Islamic Bank	Syria	711
78	MCB Islamic Bank	Pakistan	682
79	Bank Panin Dubai Syariah	Indonesia	608
80	Bank Mega Syariah	Indonesia	509
81	Bank BCA Syariah	Indonesia	490
82	Albaraka Bank	South Africa	475
83	Bank Alkhair	Bahrain	471
84	Bank Jabar Banten Syariah	Indonesia	467
85	Bank Syariah Bukopin	Indonesia	439

4.3 Content Analysis

In this study, corporate citizenship disclosure of Islamic banks is evaluated using content analysis. Therefore, to make accurate inferences from the text, content analytics is an educational process that codifies material into fewer categories based on predetermined criteria (Weber, 1988). Recommendations on how to create and assess a coding device are provided by Weber (1988). The eight crucial phases of content analysis that were applied in this study are as follows (Weber, 1988, pp. 22–24):

- i. Define the analysis unit (for instance, word, sentence, paragraph)
- ii. Define the classifications (for instance, coding instruments)
- iii. Check the coding of a text sample.
- iv. Determine credibility.
- v. Update the code standards (for instance, make and perfect rules to be followed during coding that is not ambiguous by any stretch)
- vi. Steps 3-5 should be repeated until dependability is acceptable.
- vii. text in all caps
- viii. Analyze the dependability attained.
- ix. As mentioned in the next sections, these stages were implemented in this thesis.

4.3.1 Unit of Analysis

The fundamental text unit categorized into each category is the analysis unit. According to Weber (1988), there are six standard options for analysis units: individual words, word sense, sentence, topic, paragraph, and entire text. Quantifying disclosures is done using the unit of analysis. According to Milne and Adler (1999), the quantity of phrases is the most trustworthy analytical unit for categorizing disclosure. The total number of sentences is an adequate indication for categorizing and tallying the disclosure amount since coding mistakes are addressed through inter-rater consistency and tallying errors (Milne & Adler, 1999). The ratio of pages to words, the number of pages, and the number of sentences. The number of visuals is all intricately connected. Therefore, in this study, even if sentences are needed to establish context for accurate categorization, the word count was chosen as a suitable unit of analysis to evaluate the quantity of disclosure.

4.3.2 Instruments

A specific tool is essential to make accurate conclusions from the text during content analysis. As per Weber (1988), the tool must employ actual variables that accurately reflect what it is meant to measure and ensure that the categorization process is dependable and consistent among various coders. In the categories used in previous research, one instrument was created for study and will hereafter be referred to as the "Framework." The "Framework" is employed to look at the scope and caliber of CSRep during the investigation to ascertain whether CSRep has grown over time. The theoretical framework and categories created from earlier literature serve as this foundation. The examines generic CSRep using well-established topics.

4.3.3 Measurement of CSRep Variables

The total number of words used in each classification was counted and added for each yearly report examined to gauge the amount of disclosure. CSR elements were rated using an ordinal scale in line with the 0/1/2/3/4 approach described by Guthrie and Farneti to assess the quality of the disclosures (2008). The item receives a score of 0 if it is not revealed. The item receives a one if it is merely disclosed in generic declarative words. For example, a statement containing precise financial information receives a score of two. The score is three if the item is expressed in non-monetary terms. If an item is revealed in financial and non-financial terms, it receives a score of four. The sum scores for each Islamic CSRep classification are considered for the analysis. The overall CSRep value for each classification is then calculated by adding the values for each reporting item. The highest score for each CSRep classification is shown in Appendix 2, along with the score ranges allocated to each disclosure item. A higher CSRep score indicates excellent quality reporting. When a disclosure increases readers' comprehension of annual reports, it is considered excellent quality (Wallace et al., 1994). In order to aid users in making decisions, the information supplied must be instructive and valuable (Beattie et al., 2004). Al-Tuwaijri (2004) emphasizes that quantitative reports are more accurate and educational to stakeholders than qualitative information.

4.3.4 Disclosure Media Analysis

4.3.4.1 Annual Reports

As previously mentioned, this study analyzes the CSR performance of Islamic banks using data from two reporting sources, namely annual reports, and standalone CSR reports. In this investigation, annual reports were employed as the data provider for the content analysis. In this survey, annual reports are chosen as well since they are simple to get. Additionally, yearly reports are regarded by stakeholders, particularly pressure organizations, as a medium with a basic level of trust (Tilt, 1994).

4.3.4.2 Standalone CSR Reports

As standalone CSR reports are widespread, they are also covered in this research, especially case studies. According to this study, several banks, notably the parent group of the Islamic banks, publish standalone CSR reports.

4.4 Qualitative Analysis

Under the authority of augmenting the quantitative findings from the content analysis, which explore the nature and scope of the CSR initiatives of Islamic financial firms, a qualitative approach is conducted to address the main research question. There are two types of this analysis: first, to analyze the textual information acquired by the content analysis. It entails analyzing the annual report releases on a thematic level. Second, to thoroughly examine the disclosures, to conduct a case study of three banks' standalone CSR reports. According to Ghauri and Grnhaug (2005), a case study in management studies refers to descriptive or exploratory studies that employ qualitative construction to explain a management issue. Depending on the four basic types of techniques, qualitative analysis of text might involve different processes: Grasping the linguistic features, (ii) identifying patterns, (iii) understanding the meaning of the text or act, and (iv) introspection (Tesch, 1990, cited in, Saunders et al., 2011). In general,

qualitative analysis entails organizing the vast amount of qualitative data gathered into meaningful categories, allowing researchers to understand the data entirely and incorporating relevant information gleaned from various notes. Finally, identify important patterns or common concepts for further investigation, and make inferences (Saunders et al., 2011, p. 380).

4.5 Regression Analysis

Regression analytical approaches are then utilized to establish the association between CSR and business results in Islamic banks once the degree of CSRep has been defined and tallied using content analysis. With the aim of forecasting or predicting the (group) mean or expected average of the former in terms of the recognized or fixed (in repeated measurements) values of the latter, regression evaluation is a statistical technique that examines the reliance on one parameter, the dependent variable, on either one or more other factors, the interpretive variables (the independent variables) (Gujarati, 2003, p.18). The dependent variables are the richness and numbers of the CSR that were gathered for this study using textual analysis. In contrast, several financial performance metrics are independent variables. In this investigation, panel regression was used, and Stata was used to conduct it.

4.5.1 Financial Performance Variables

4.5.1.1 Traditional Financial measures

The financial performance variables include traditional and unconventional financial performance metrics and control factors. The independent variables used in this research are these financial factors. The efficiency of cost, revenue, and profit is used to assess the typical financial effectiveness of Islamic banks. The Other operating income to assets (OOIA) variable evaluates revenue efficiency, whereas the cost to income ratio (CTIR) measures cost efficiency. Return on equity measures how profitable a bank is (ROE). The research into the economic productivity of maximizing profits and revenues and minimizing costs refers to using these financial measurements (Ariff et al., 2009).

4.5.2 Control Variables

Under the authority of account for any impact of company size, risk, and overhead costs in this analysis, the control variables adopted by Simpson and Kohers (2002). The fact that this study solely uses businesses from the same industry—Islamic banking—holds any effects of industry constant. Toward maintaining constant company size, the risk of an investment portfolio, level of investment, cost of funds, total assets (TA), and capital ratio (CR) were adopted as control variables. Conducive to maintaining constant firm size, risk of the liability portfolios, size of the liabilities, and local market economic conditions, the liability ratio (LR) was employed as the control variable. Previous research has revealed that size and risk may impact CSR and financial results (Waddock & Graves, 1997; Clarkson et al., 2008). According to the data, more extensive and riskier businesses are more socially accountable because they are more likely to be interested in and receptive to stakeholder expectations (Waddock & Graves, 1997).

Whereas any potential R&D expenditures would be factored into overhead expenses, administrative costs (AC) were employed to maintain overhead expenses constant (Simpson & Kohers, 2002). The inclusion of whether each company in the survey a complete Islamic bank (CIB) is serves to maintain holding company affiliation, particularly for Islamic banks that are branches of conventional banks. The term "bank ownership" (BANKOWN) was employed to maintain banks' local and international ownership. Finally, YEARSTAND was employed to maintain consistency between pre- and post-Standards.

4.5.3 Multiple Regression Model

The association between CSRep, conventional financial indicators, and socio-economic accounting variables is investigated using multiple regression analysis. Based on multiple regression analysis, the formula $Y=f(x)$ enables a direct control for several explanatory factors that simultaneously impact the dependent variable (Wooldridge, 2009). The underlying multiple regression model is illustrated as follows.:

$$Y_i = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \dots + \beta_k X_{ki} + \epsilon_i \quad (1)$$

Y_i is the dependent variable for the company i . X_s are independent and control variables (ranging from one to k), β_s are the estimated model parameters, and ϵ_i is the zero-mean homoscedastic, serially independent regression error. The research utilizes Ordinary Least Squares (OLS) to obtain parameters for this model. OLS is a generalized linear regression model often used in the literature on CSR disclosure. This study requires knowing a few assumptions underlying OLS regression to avoid producing false results. OLS regression's underlying assumptions include homoscedasticity, collinearity, and normality (Garson, 2011).

4.5.3.1 Normality of residual errors

The distribution of the mistakes the residuals depict is called the assumption of normality. The presence of customarily distributed residuals confirms the validity of the test's P-values. The histogram of predicted variables' residuals and P-P plots found within the SPSS program can be used to evaluate this assumption. Under the authority of supporting the premise of normality, a histogram will display a standard curve that resembles a bell shape. With the observed accumulated probability of occurring of the normalized residuals being plotted on the Y axis and the predicted normal incidence probabilities on the X axis, the P-P plot will show a 45-degree line to demonstrate the normality. For research with a limited sample size, normalcy tests are crucial. It is because regression coefficient t-tests are inaccurate for small samples with non-normally

distributed errors. Contrary to large samples, deviations from the assumption of the uniformity of deviations have little to no effect on the results. It is true because even while error is not distributed normally, for large samples, the distribution of the data of the b value will remain normal (Garson, 2011).

4.5.3.2 *Homoscedasticity*

As OLS regression presupposes the uniformity of residual variance, homoscedasticity (sometimes written as homoskedasticity) is an expectation that the leftover error variance should be consistent for all independent variables. If there is no homoscedasticity, this has two implications: (i) a measured predictor variable and unmeasured predictor variables that are not included in the model interact, or (ii) certain independent variables are distorted or biased. In contrast, some others are not (Garson, 2011).

4.5.3.3 *Absence of Multicollinearity*

Multicollinearity refers to the interrelated nature of independent variables. Therefore, it can make it challenging to estimate the regression coefficients. This presumption applies to both low partial multicollinearity and the lack of complete multicollinearity. Concerning when predictor variables are functions of one another, perfect multicollinearity results preclude the possibility of an original regression solution. High partial multicollinearity indicates that the standard errors of the linear regression may grow as the correlation between the independent variables increases. In addition, it will be challenging to determine the relative relevance of the predictor variables since high multicollinearity distorts the reliability estimations (Garson, 2011). The following section displays the regression models calculated for the size and quality of CSRep throughout this study after highlighting some OLS regression assumptions.

4.5.3.4 Quality of CSR

The following is the expression of the statistical model to evaluate the association between existing banking and socio-economic firm financial performance and CSR quality disclosure:

$$\begin{aligned} \text{CSRRepQly}_{jt} = & \text{CTIR}_{jt} + \text{OOIA}_{jt} + \text{ROE}_{jt} + \text{PSR}_{jt} + \text{ZPR}_{jt} + \text{EDRQHD}_{jt} + \text{DEWR}_{jt} + \text{IIVNII}_{jt} \\ & + \text{INVNIN}_{it} + \text{TA}_{it} + \text{CR}_{it} + \text{LR}_{it} + \text{OE}_{it} + \text{BANKOWN}_{it} + \text{YEARSTAND}_{it} + \text{FUL}_{it} + \epsilon_{it} \end{aligned}$$

Picture 2: Quality of CSR

Where:

- CSRRepQly_{it} - CSR quality for bank i in year t
- CSRQly_{it} - CSR quantity for bank i in year t
- CTIR_{it} - Operating costs divided by operating income for bank i in year t.
- OOIA_{it} - Other operating income divided by assets for bank i in year t.
- ROE_{it} - Net income divided by equity bank i in year t.
- PSR_{it} - (*Mudharabah* plus *Musyarakah*) divided by total financing for bank i in year t.
- ZPR_{it} - *Zakat* divided by net assets for bank i in year t.
- EDRQHD_{it} - *Qard Hassan* and donation divided by Revenue minus *Zakat* plus tax paid for bank i in year t.
- DEWR_{jt} – Director’s remuneration divided by employee welfare for bank i in year t.
- IIVNII_{it} - Islamic investment divided by Islamic investment plus non-Islamic investment for bank i in year t.
- INVNIN_{it} - Islamic income divided by Islamic income plus non-Islamic income for bank i in year t.
- TA_{it} – Average total assets for bank i in year t
- CR_{it} - Equity capital divided by total assets for bank i in year t.
- LR_{it} – Average total loans divided by total assets for bank i in year t.
- OE_{it} – Total overhead expenses divided by total assets for bank i in year t.
- FUL_{it} – Dummy variable: one if the bank in question has been an Islamic bank from the start and zero if it is a subsidiary of a normal bank.
- ϵ_{it} – Error term for bank i in year t

4.5.3.2 Quantity of CSR

The following is the expression of the regression model used to evaluate the association between CSR quantity disclosure and existing banking and socio-economic accounting performance:

Where:

- $CSRRepQ_{it}$ - CSR quality for bank i in year t
- $CSRQ_{it}$ - CSR quantity for bank i in year t
- $CTIR_{it}$ - Operating costs divided by operating income for bank i in year t .
- $OOIA_{it}$ - Other operating income divided by assets for bank i in year t .
- ROE_{it} - Net income divided by equity bank i in year t .
- PSR_{it} - (*Mudharabah* plus *Musyarakah*) divided by total financing for bank i in year t .
- ZPR_{it} - *Zakat* divided by net assets for bank i in year t .
- $EDRQHD_{it}$ - *Qard Hassan* and donation divided by Revenue minus *Zakat* plus tax paid for bank i in year t .
- $DEWR_{it}$ – Director's remuneration divided by employee welfare for bank i in year t .
- $IIVNII_{it}$ - Islamic investment divided by Islamic investment plus non-Islamic investment for bank i in year t .
- $INVNIN_{it}$ - Islamic income divided by Islamic income plus non-Islamic income for bank i in year t .
- TA_{it} – Average total assets for bank i in year t
- CR_{it} - Equity capital divided by total assets for bank i in year t .
- LR_{it} – Average total loans divided by total assets for bank i in year t .
- OE_{it} – Total overhead expenses divided by total assets for bank i in year t .
- FUL_{it} – Dummy variable: one if the bank in question has been an Islamic bank from the start and zero if it is a subsidiary of a normal bank.
- ε_{it} – Error term for bank i in year t

4.6 Hypothesis

H1: CSR initiatives are widely adopted by Islamic financial institutions.

H2: CSR initiatives have a positive impact on finance performance among Islamic banks.

This chapter describes the methodology used in this dissertation, the techniques used, and the methods used to evaluate the variables. Both the regression modeling and the qualitative analysis methods used were detailed. The results are presented in the following two chapters.

5. Qualitative Analysis

As established above, this thesis entails a quantitative and qualitative approach to analyzing essential data. The provisions within this qualitative analysis highlight the CS reporting frameworks of quantity and quality as practiced in the top Islamic Banks. The analysis details examples of these reports provided by some employees at diverse organizational levels. According to this report, qualitative evaluation is a framework of the empirical and systematic controlled examination of information within the communication setting while following strict step-by-step formulas provided within analytical rules. This research utilizes a qualitative analysis highlighting the reporting made by different Islamic banks on both frameworks and standards. These subcategories found within the disclosures in the framework and standards evaluate the common topics and trends across Islamic banks for an extended period.

5.1 CSR Based on the Framework



Picture 3: *Eduardo Rangel- Chief Compliance Officer Profile*

Kenneth is currently the Group Chief Auditor for a Public Listed Financial Institution and reports directly to the Board of Directors. He is a member of the Executive Management Team and assist in the formulation, implementation of the Financial Institution's vision, mission and plays a key part in the Bank's overall control environment

Previously, Kenneth was the Regional Head of Audit, Africa and Middle East at Standard Chartered Bank (SCB) from December 2015 to December 2020. He covered all audit activities across all business lines (i.e. Corporate & Institutional Banking, Commercial Banking, Retail Banking, etc) across 25 countries in the region. In January 2019, he took on additional responsibilities as the Global Head of Audit for Support Functions. Before relocating to the UAE, he was the Global Head of Financial Markets (FM) Audit at SCB for 7.5 years based in Singapore. He is an experienced Audit Professional with experience ranging from sales and trading, investment banking, capital markets, asset management, etc. His experience cuts across multiple asset classes such as commodities, currencies, debt, equities, interest rates, cash, over-the-counter, and listed derivative products

Prior to Standard Chartered Bank, Kenneth worked at a large Universal Bank (i.e. Citigroup) and a Top Tier US Investment Bank (i.e. Goldman Sachs). Before joining the Banking Industry, he worked at PriceWaterhouseCoopers in their Banking & Capital Markets Division where he managed and led reviews/projects of some of the world's largest global investment banks and firms which includes: Goldman Sachs, Barclays Capital, Commerzbank, Credit Suisse First Boston, Deutsche Bank, Dresdner Kleinwort Benson, etc. An individual with international work exposure having been based in Singapore, United Kingdom, United States of America, Japan, United Arab Emirates, and who has travelled to more than 80

Picture 4: Mr. Kennedy Tan- Group Head of Audit

These samples show two directors' profiles at the Abu Dhabi Islamic Bank. It is a critical example that shows the capabilities and responsibilities of the directors. It illustrates that both directors have attained the necessary qualifications to undertake the managerial and oversight roles of the bank's operations. The managers can ensure Sharia compliance as required by the Islamic banking ecosystem (Abu Dhabi Islamic Bank, 2021b). The qualities outlined show that these directors are capable of decision-making at the Abu Dhabi Islamic bank and attaining the highest standards of Sharia.

On payment, the directors and senior management disclose their earnings in a detailed report. Therefore, it includes the amount each receives from the bank and the other additional compensation. Abu Dhabi Islamic Bank also provides a detailed report of the responsibilities and powers its policies provide to the directors and managers (Abu Dhabi Islamic Bank, 2021b). More specifically, the bank's directors and managers have the full mandate to ensure that business operations align with Sharia law. This bank is not a subsidiary of any other non-Islamic entity. For this reason, its managers and directors are responsible for disclosing their earnings and ensuring a strict corporate governance framework that aligns with the law of the land and Sharia law. ADIB has other non-Islamic business policies on other operations.

Additionally, most banks in Abu Dhabi and the United Arab Emirates are not subsidiaries of non-Islamic entities. As established above, these banks allow their managers and directors to fully operational capacity as it aligns with the Sharia laws. In the spirit of Islamic CSRep, the businesses aim at a reasonable profit with a full-scale social undertaking. Abu Dhabi Islamic Bank also ensures that it undertakes its CS reporting to show its stakeholders that it complies with Sharia laws. The statistics provided in the annual report also include a section where the company provides a full report of compliance with Sharia laws in its disclosure of CSR activities. Islamic law is founded on unity and a robust social system of accountability and trust. For this reason, the Abu Dhabi Islamic bank discloses its directors' and senior members' earnings, responsibilities, and the policies that direct their compliance to Sharia laws on the principle of unity and trustworthiness (Abu Dhabi Islamic Bank, 2021b). In the example below, the business has made significant social contributions in the budget years of 2020 and 2021.

The Abu Dhabi Islamic Bank also prioritizes its workers as part of the organization's quality management. The Islamic principle underlying this approach is human beings' unity and relationships. The directs that the company prioritizes social justice and fairness as it interacts with its employees. Islamic principles strictly require these corporations to avoid discrimination toward their workers. For this reason, the underlying themes regarding employee interactions with the company include wages and bonus payments, equal opportunities, a healthy workplace, and career progression opportunities (Abu Dhabi Islamic Bank, 2021a). At the Abu Dhabi Islamic Bank, all workers are essential to the business regardless of race, gender, or other demographic factors. The bank has also received awards for its human resources approaches. It is because of its efforts to finance some employees to take further studies to improve their skills and benefit the bank and other human beings. Abu Dhabi Islamic Bank also prioritizes the training and induction it provides its employees to understand the Islamic banking guidelines and the sector in general.

5.2: CSR Reporting based on AAOIFI Standards

Islamic financial institutions' accounting and auditing organization is a private entity established by the conglomerate of Islamic banks and their stakeholders. This entity aims to maintain and enhance Islamic banks' accounting, auditing, and corporate governance standards based on sharia law. Abu Dhabi Islamic Bank operates on Islamic principles and guidelines for business ethics and corporate social responsibilities (Abu Dhabi Islamic Bank, 2021a). The bank's central corporate values are transparency, hospitality, simplicity, accountability, mutual benefits, accommodating employees, and compliance with the Sharia laws.

Most of the values are rooted in Islamic teachings to ensure that the bank aligns with its religious and social origins. For this reason, the Abu Dhabi Islamic bank has maintained a robust CSR reporting framework for several years. For example, the business runs special programs for its innovative money campaign called Al-Khair (Abu Dhabi Islamic Bank, 2021a). The business also has another initiative called Tejoori, which governs how it prioritizes its customers and helps them find better financial solutions and investment strategies.

The descriptive statistics presented in the sections above show that the Abu Dhabi Islamic Bank aligns its quality management goals with the AAOIFI standards. The main quality categories for this analysis are the policy for engaging with customers, Zakat, and employee welfare (Abu Dhabi Islamic Bank, 2021b). The quantity elements for this analysis include a policy for dealing with customers, employee welfare, and evaluating customers. These above elements provide the highest level of disclosure for Abu Dhabi Islamic Bank.

Abu Dhabi Islamic Bank disclosed that it prioritized its policies for engaging with customers on quality and quantity assessments (Abu Dhabi Islamic Bank, 2021b). Such policies allow the organization to directly report their actions and operations, entailing customer contracts, the factors of giving credit and collecting it, the level of penalty that the company can apply to defaulters, and the factors that determine these penalty charges.

Bank policies such as the employee code of conduct, customer service charter and consumer protection principles, outline our commitment to conducting business responsibly and ethically. The Bank is also committed to being professional, fair, and transparent in its dealings and communication with customers and worked on improving financial literacy within the UAE, especially among youth.

Picture 5: *(Abu Dhabi Islamic Bank, 2021b)*

This indication and disclosure provided in the example above show that the business follows AAOIFI standards for managing their customers' penalty charges. The Sharia supervisory board at Abu Dhabi Islamic Bank requires that businesses balance their marketing efforts and other ethical guidelines provided in the Sharia law. In the example provided below, the Abu Dhabi Islamic Bank ensures that its customers understand the contracts provided at every business engagement (Abu Dhabi Islamic Bank, 2021b). In addition, the shariah supervisory board ensures that Abu Dhabi Islamic bank does not unfairly hide some terms and conditions of client contracts that would otherwise negatively impact the outcomes of this deal.

The organization's policy on employee welfare is another element of compliance for quality and quantity as it aligns with the AAOIFI standards. The company has disclosed that it prioritizes its employees' welfare, as discussed earlier. Additionally, these standards are evident in the company's policies to ensure that it does not unfairly discriminate against employees from minority groups (Abu Dhabi Islamic Bank, 2021b). It is critical for the company as it has highlighted the avenues it uses to help its employees develop their talents and advance in their careers.

ADIB has an Employee Engagement Index of 70%. This reflects the Bank's strong commitment to maintaining recognised standards, employee wellbeing and occupational health and safety. While providing avenues for employees to improve their skills and experience levels and progress further in their careers, ADIB is also committed to gender diversity with 36% of its total workforce being ladies.

Picture 6: *(Abu Dhabi Islamic Bank, 2021b)*

The Zakat provision and category is another appropriate way to look at the quality of operation for Islamic Banks. This approach is shown below in the highlighted segment reported by Abu Dhabi Islamic Bank (Abu Dhabi Islamic Bank, 2021b). The disclosure on Zakat highlights the calculations used to determine the amount and to share responsibility with relevant

stakeholders. The Sharia supervisory board at the bank is meant to ensure that the business complies with Zakat as provided by AAOIFI.

Islamic banks have a robust CSR reporting framework that allows them to be transparent and accountable. The employee and customer sections show that these organizations prioritize corporate governance policies for their operations. The annual reports illustrate this significance as the disclosure aligns with Islamic values and teachings. In this case, one can see the values within the company's CSR reporting to understand the type of Islamic Bank they are dealing with. Some Islamic banks operate as a segment of conventional banks, giving them less flexibility in their application of Islamic teachings (Abu Dhabi Islamic Bank, 2021a).

Nonetheless, these conventional banks strive to increase their accommodation of the Islamic teachings in the Islamic Bank sections. The AAOIFI standards discussed above are pertinent to how organizations report their CSR actions. Some Islamic banks operate under the umbrella of non-Islamic banks. Furthermore, all Islamic banks have different approaches to fulfilling their Islamic CSR requirements according to religious teachings. The annual reports show that these businesses can overstate or understate their reporting depending on the anchorage of their values on Islamic teachings.

5.3: Case Studies of CSR in CSR Reports

Islamic banks recognized the importance of annual reports that disclose their CSR operations and efforts. Some of these banks conduct separate CSR reports highlighting the extensive mechanisms they place to ensure CSR sustainability. In this case, the Islamic bank provided in this stand-alone CSR reports that give the stakeholder vital annual data and an overview of the organization's CSR efforts. In the UAE, most Islamic banks have the flexibility to implement the Sharia laws and report separately fully. Interestingly, most banks have maintained the highest standards for CSR activities and reporting procedures. The flexibility streamlines the CSR reporting, mainly when provided on a stand-alone basis. Comparing the stand-alone CSR reports

to the general annual disclosures provides a deeper look at the company's CSR reporting. Subsequent sections explain that the three Islamic Banks provide stand-alone reports to the stakeholders with an in-depth understanding of the company's CSR efforts.

5.3.1 Abu Dhabi Islamic Bank

Abu Dhabi Islamic Bank consistently provides stand-alone CSR reports. The company provides an extensive CSR report each year highlighting an overview of its actions. It also proclaims a commitment to compliance with sustainability, society, and ethical standards. Each report entails communication from the group CEO to stakeholders on an overview of the company's efforts in that budget year and beyond. For instance, the 2021 report highlights the company's commitment to disclose its CSR efforts according to the Abu Dhabi securities exchange policies (Abu Dhabi Islamic Bank, 2021a). It also illustrates the company's compliance with the UAE 2021 vision and global compliance, such as with the UN sustainable development goals. In addition, the report goes through a robust internal audit process to ensure the highest quality of reporting of the companies and financial information. The Abu Dhabi Islamic Bank is the leading bank in the United Arab Emirates in its CSR reporting, and its mission remains to empower society through simple banking.

5.3.2 Kuwait Finance House

The Kuwait finance house is an Islamic Bank that sustainably provides stand-alone CSR reports. The company's reports are prepared at the headquarters in Kuwait. For this reason, it utilizes the dollar to standardize the monetary aspect of the report. Additionally, the organization's CSR report is extensive and ranges between 30 to 100 pages. The main contents for the stand-alone CSR reports by Kuwait finance bank include a message by the group CEO and its commitment to sustainability (Kuwait Finance Bank, 2022). The report also has communication with stakeholders and a broad overview of its workplace, community, and sustainability strategies. This report has remained consistently robust for the past decade.

5.3.3 Dubai Islamic Bank

Dubai Islamic Bank provides its stakeholders with a stand-alone sustainability report. The 2021 report was the organization's first stand-alone sustainability report. The company received an MEA finance award for having the best ESG strategy in 2021 (Dubai Islamic Bank, 2021). The report also shows that the organization's extensive charitable course has given more than 250 million AED. The report further highlights the chairman's message to stakeholders on the company's sustainability roadmap.

5.4 Case Studies of CSR Reports

5.4.1 Abu Dhabi Islamic Bank

Abu Dhabi Islamic Bank strongly focuses on aligning its operations with Sharia laws. The organization has extensively innovated products that develop banking and ensure sustainability. The report highlights the organization's efforts to train more than 92% of its staff in 2021 (Abu Dhabi Islamic Bank, 2021a). The company also gives its employees subsidies for childcare to facilitate a safe return to work. The report also shows a commitment to ensuring environmental sustainability. It has received significant recognition for its Islamic leadership.

5.4.2 Kuwait Finance House

Kuwait finance house has a fully-fledged approach to its Islamic values. Its reporting overviews its activities, emphasizing consumers, workers, and the community. Kuwait finance house maintains charitable efforts through social activities such as supporting low-income families and other acts of kindness. The report provides an overview of the monetary resources that the bank utilizes in its charitable activities (Kuwait Finance Bank, 2022). It allows the stakeholders to understand their organization's compliance with the Sharia supervisory board. The company also gives Zakat and highlights its commitment to the same in its annual report. The bank gives each worker fair opportunities as well.

5.4.3 Maybank Islamic Bank

Maybank Islamic has a sustainability report that shows its CSR reporting. The bank maintains its commitment to providing stakeholders with a powerful presentation of the organization's charitable efforts. Maybank's report shows the company's operations and the standards it maintains. An independent audit is also conducted to maintain the company's transparency (Maybank Islamic, 2021). Furthermore, the report shows that the bank has made significant efforts to uplift communities through different approaches such as arts and culture, healthy living, and education. The organization is also focused on managing its carbon footprint for sustainable ecosystems. Its corporate governance is also a part of this report as it shows the management's efforts in maintaining ethical standards.

The case studies provided in this analysis have recurrent themes of employees, consumers, the community, and the environment. Some of the reports also include information on products and services. Islamic banks align their CSR reports and efforts with Sharia laws. The overarching theme is employee engagement, followed by the community and consumers. The Islamic banking ecosystem focuses on ensuring compliance with Islamic teachings more than on gaining financial revenue.

This chapter has provided content analysis of both annual and CSR reports of Islamic Banks. The findings show that these Islamic institutions prioritize their compliance with AAOIFI standards. In addition, they conduct internal and external audits to ensure they align with the global and Islamic CS reporting standards. Overall, some Islamic Banks have stand-alone reports, while others are reported as a subset of their parent company.

5.6.4 Summary of Case Studies

The case studies provided in this analysis have recurrent themes of employees, consumers, the community, and the environment. Products and services are also part of some of the reports. Islamic banks align their CSR reports and efforts with Sharia laws. The overarching theme is employee engagement, followed by the community and consumers. The Islamic banking ecosystem focuses on ensuring compliance with Islamic teachings more than on gaining financial revenue. This chapter has provided content analysis of both annual and CSR reports of Islamic Banks. The findings show that these Islamic institutions prioritize their compliance with AAOIFI standards. They conduct internal and external audits to ensure they align with the global and Islamic CS reporting standards. Overall, some Islamic Banks have stand-alone reports, while others are reported as a subset of their parent company.

6. Empirical Findings and Discussions

This section focuses on the third research question, which is the connection between CSR and financial results among Islamic banks. It analyses data from annual reports to examine this relationship. Islamic banks face considerable pressure from various stakeholders to perform financially while upholding Islamic principles. This part analyzes the connection between financial performance and adherence to CSR, focusing on traditional and socioeconomic performance indicators.

6.2 Descriptive Statistics

The table below outlines the descriptive statistics on the study's independent variables.

Table 2: Descriptive statistics- Independent Variables

Financial Performance	Mean	Std. Dev	Median	Range	Min	Max
Traditional Financial Variables						
Cost to income ratio (CTIR)	.489	.456	.429	3.800	.042	3.842
Other operating income to asset (OOIA)	.003	.003	.003	.015	.000	.015
Return on Equity (ROE)	.083	.103	.091	.820	-.405	.414
Socio-Economic Variables						
Profit sharing ratio (PSR)	.576	.227	.607	.960	.034	.993
Zakat performance ratio (ZPR)	.001	.003	.000	.016	-.005	.011
Equitable distribution ratio – Qard Hassan (EDRQHD)	.007	.020	.001	.135	.000	.135
Directors-employees welfare ratio (DEWR)	.109	.234	.052	1.840	.000	1.840
Islamic investment vs Non-Islamic investment (IIVNII)	.957	.114	1.000	.784	.216	1.000
Islamic income vs Non-Islamic income (INVNIN)	.982	.055	1.000	.319	.682	1.000
Total Control Variables						
Total assets (TA)	16.032	.825	16.012	3.963	14.041	18.004
Capital ratio (CR)	.107	.114	.078	.968	.032	1.000
Loan ratio (LR)	.904	.056	.923	.289	.680	.968
Overhead expenses (OE)	.014	.007	.013	.035	0.001	.036

Traditional variables are those that are normally utilized to assess bank performance, for instance, return on equity (ROE) and cost-to-income ratio (CTIR). As evident in the table, CTIR had the highest mean, median, and standard deviation of 0.489, 0.429, and 0.456, which indicates a high operating expense compared to operating income. Contrary, socioeconomic variables are utilized in this research as well in line with the goals of this research. Examples are the profit-sharing and directors-employee welfare ratio. As per the descriptive statistics, PSR's meaning indicates that funding based on profit-sharing arrangements constituted 57.6% of the overall funding. Qard Hassan constituted 0.7% of sales after accounting for income tax and Zakat, whereas Zakat to net assets turned out to be 0.1. The IIVNII mean score indicates that Islamic investments constituted 95.7% of the overall investments made by the banks. Lastly, the research also incorporates control variables for factors such as firm size and capital ratio (CR). Each of the control variables used had specific purposes. For instance, the function of total assets (TA) and CR, which have means of 16.032 and 10.7%, is to keep investment risk and company size constant. Conversely, the purpose of the loan ratio, which had a mean of 90.4%, is to mitigate the impact of liability risk and firm size. Collectively, these variables are instrumental to the research.

6.3 Normality Testing

Statistical tests were conducted to analyze the presence of any statistically significant relationship between the variables. However, normality assessments were done before conducting these tests to ensure the data fulfills certain requirements.

6.3:1 Normality Tests: Dependent Variables

The histogram below indicates a bell-shaped curve, which signifies normality. Additionally, statistical normality measures indicate a normal distribution of the framework quality data as evidenced by the skewness of 0.551, kurtosis of 0.297, and P values of over 0.5 Kolmogorov-Smirnov and Shapiro-Wilk. Next, analysis of framework quantity data indicates slight positive

skewness with figures of 1.206 for skewness and 1.581 for kurtosis and P values of below 0.5 for Kolmogorov-Smirnov and Shapiro-Wilk tests. Lastly, analysis of framework quantity data indicates slight positive skewness with figures of 1.869 for skewness and 4.875 for kurtosis and P values of below 0.5 for Kolmogorov-Smirnov and Shapiro-Wilk tests.

6.3.1 Normality Tests: Independent Variables

The table below indicates outcomes for normality assessments for independent variables. All independent variables are non-normal except total assets (TA) and overall expenses (OE).

6.3.3 Transforming Dependent Variables

It was necessary to transform data that showed non-normality. The transformation was done by re-scaling data from the 0-1-2-3-4 scale to the 1-2-3-4-5, whereby one was added to each observation to eliminate zeros. This step was necessary because the transformations, particularly those involving logarithmic functions, cannot work with zero or negative numbers. The figures below outline the distribution of transformed data, while the table highlights the outcomes of normality tests. The transformation has made the data normal, making it suitable for modeling.

6.3.4 Transforming Independent Variables

The research utilizes various transformation techniques for this part, including log, square root, and inverse transformation. To facilitate the exercise, a rescaling of the data using $+0.5^*$ was done, and the variables were renamed after the transformation. The independent variables selected in the final list were chosen as per the normality test outcomes of the transformed data. The table below outlines the normality tests of the transformed variables.

6.4 Correlation Results

In part, the research seeks to use an appropriate regression framework of CSR involving the independent variables. When using regression, independent variables should not have multicollinearity. Testing for multicollinearity meant doing a correlation assessment on all independent variables and checking whether the correlation exceeds 0.78. The results indicated correlations in certain independent variables that could contribute to multicollinearity. The remedy for multicollinearity was to combine or eliminate highly correlated variables.

6.5 Regression Analysis

After transforming the data and performing diagnostic assessments for suitability, the next step was to conduct modeling to examine the connection between CSR and financial results per the two general hypotheses outlined in chapter six. They include the following:

H1: CSR initiatives are widely adopted by Islamic financial institutions.

H2: CSR initiatives have a positive impact on finance performance among Islamic banks.

These hypotheses were investigated further using nine specific premises, which are shown in table 8.

6.5.1 Cross-Sectional Regression

6.5.1.1 Panel Regression

The research employs the following model for a cross-sectional evaluation based on Ordinary Least Squares (OLS).

$$Y_i = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \dots + \beta_n X_i + \epsilon_i$$

Where.

Y_i : Dependent variable.

β_0 : Intercept.

As : A number of 'n' independent variables.

E: Idiosyncratic error.

In review, cross-sectional analysis is limited because it fails to incorporate the impact of unobserved heterogeneity, for instance, an omitted variable issue. Additionally, repeated entries belonging to similar units, for example, banks, might not be independent.

Regardless, cross-sectional analysis is an appropriate starting point because it offers consistent impartial, efficient estimates.

6.5.1.2 Regression Results

Two models were used for the research: CSR quality and CSR quantity. The model equations with transformed data labels are as follows:

$$\ln\text{scrol}_{led} = \ln\text{CTIR}_{it} + \ln\text{odia}_{ted} + \sqrt{\text{ROE}}_{it} + \sqrt{\text{PSR}}_{it} + \ln\text{ZPR}_{it} + \ln\text{EDRQHD}_{it} + \ln\text{DEWR}_{it} + \ln\text{IIVNII}_{it} + \ln\text{INVNIN}_{it} + \text{TA}_{it} + F^{-1}\text{CR}_{it} + \ln\text{LR}_{it} + \ln\text{OE}_{it} + \text{FUL}_{it} + \varepsilon_{it} \quad (2)$$

$$\ln\text{CSRQT}_{it} = \ln\text{CTIR}_{it} + \ln\text{OOIA}_{it} + \sqrt{\text{ROE}}_{it} + \sqrt{\text{PSR}}_{it} + \ln\text{ZPR}_{it} + \ln\text{EDRQHD}_{it} + \ln\text{DEWR}_{it} + \ln\text{IIVNII}_{it} + \ln\text{INVNIN}_{it} + \text{TA}_{it} + F^{-1}\text{CR}_{it} + \ln\text{LR}_{it} + \ln\text{OE}_{it} + \text{FUL}_{it} + \varepsilon_{it} \quad (3)$$

Where:

- $\ln\text{CSRQI}_{it}$ - Logarithm of CSR quality for bank i in year t
- $\ln\text{CSRQI}_{it}$ - Logarithm of CSR quantity for bank i in year t
- $\ln\text{CTIR}_{it}$ - Logarithm of operating costs divided by operating income for bank i in year t.
- $\ln\text{OOIA}_{it}$ - Logarithm of other operating income divided by assets for bank i in year t.
- $\sqrt{\text{ROE}}_{it}$ - Square root of net income divided by equity bank i in year t.
- $\sqrt{\text{PSR}}_{it}$ - Square root of *Mudharabah* plus *Musyarakah*) divided by total financing for bank i in year t.
- $\ln\text{ZPR}_{it}$ - Logarithm of *Zakat* divided by net assets for bank i in year t.
- $\ln\text{EDRQHD}_{it}$ - logarithm of *Qard Hassan* and donation divided by Revenue minus *Zakat* plus tax paid for bank i in year t.
- $\ln\text{DEWR}_{jt}$ – logarithm of director's remuneration divided by employee welfare for bank i in year t.

- $\ln IIVNII_{it}$ - Logarithm of Islamic investment divided by Islamic investment plus non-Islamic investment for bank i in year t .
- $\ln INVNIN_{it}$ - Logarithm of Islamic income divided by Islamic income plus non-Islamic income for bank i in year t .
- TA_{it} – Average total assets for bank i in year t
- $F^{-1}CR_{it}$ – Inverse of equity capital divided by total assets for bank i in year t .
- $\ln LR_{it}$ – Logarithm of average total loans divided by total assets for bank i in year t .
- $\ln OE_{it}$ – Logarithm of total overhead expenses divided by total assets for bank i in year t .
- FUL_{it} – Dummy variable: one if the bank in question has been an Islamic bank from the start and zero if it is a subsidiary of a normal bank.
- ϵ_{it} – Error term for bank i in year t

A lagged model was utilized to preclude the endogeneity issue, which entailed lagging the explanatory or independent variables by a year. Tests were conducted for each model to determine the suitable alternative between the random or fixed effect approaches or the OLS versus panel models.

Table 3: Test Results

Test	Results: Null Hypothesis
Breuch Pagan- OLS vs. REM	OLS preferred to REM
Hausman- Fixed vs. Random Effects	REM preferred to FEM

6.6.1 CSR Quality

The testing approach for the dependent variable QLYFRAME is as follows:

Table 4: Test Results

Test	Test Statistic	Prob > Test Statistic	Results
Breuch Pagan for OLS vs. REM Chi ² (df)	Chi ² (1) 28.76	0.0000	Reject null: REM preferred to OLS
Fixed-Effects vs. Random-Effects Chi ² (df)	36.66	0.0005	Reject Ho: FEM preferred to REM

As per the table* above, the researcher rejected the null hypothesis and upheld FEM as the chosen framework.

Table 5: Model for InQLFRAME

VARIABLES	REM logQLYFRAME	FEM logQLYFRAME	OLS logQLYFRAME
L.logTA	0.003 (1.030)	0.003 (0.861)	0.00172 (0.00372)
L.invCR	0.001 (1.033)	0.001 (0.581)	0.00266 (0.00200)
L.logLR	-0.477 (-1.387)	-0.372 (-1.061)	-0.818* (0.403)
L.logOE	0.059** (2.481)	0.052* (1.925)	0.0989** (0.0351)
L.logCTIR	-0.028 (-0.746)	-0.023 (-0.592)	-0.0338 (0.0513)
L.logOOIA	0.003 (0.163)	0.006 (0.318)	-0.00674 (0.0209)
L.srROE	0.085 (1.355)	0.013 (0.215)	0.193** (0.0789)
L.srPSR	-0.002 (-0.0342)	0.114 (1.652)	-0.133** (0.0468)
L.logZPR	1.050 (1.410)	1.032 (1.359)	1.293* (0.725)
L.logEDRQHD	0.014*** (3.732)	0.008 (1.582)	0.0230*** (0.00624)
L.logDEWR	-0.010 (-0.687)	-0.007 (-0.605)	-0.0106 (0.0206)
L.logIVNII	-0.016 (-0.450)	-0.023 (-0.453)	-0.0166 (0.0379)
L.logIVNIN	-0.010 (-0.0643)	0.028 (0.162)	-0.127 (0.214)
BANKOWN	0.047 (1.205)		0.0556 (0.0321)
YEARSTAND	0.020 (1.220)	0.021 (1.408)	0.0219 (0.0200)
Constant	0.848* (1.827)	0.866* (1.862)	0.748 (0.451)
Observations	82	82	82
R-squared		0.445	0.522
R ² -Overall	0.442	0.127	
R ² -Within	0.383	0.445	
R ² -Between	0.502	0.0251	
Var explained ui	0.445	0.766	
Log likelihood			124.6
F-test			36.55
Adjusted R ²			0.414

Robust z-statistics in parentheses *** p<0.01, ** p<0.05, * p<0.10

The table highlights the results for eighty-two observations. Since the model returns results for the transformed variables, they were converted to the initial state for the purpose of the discussion and interpreted accordingly. The preferred model (FEM) had an R² of 0.445, suggesting a 44.5 explanatory power for the variables. The regression error term had a variance of 0.766. Only overhead expenses (OE) with a single-period lag were statistically

significant, with a coefficient of 0.052 or a t-statistic of 1.925. These figures signify an elasticity between the dependent and independent variables such that a 1% rise in overhead expenses (OE) will lead to a 0.052% rise in the QL frame. Overall, the results highlight that Islamic banks that augmented their overhead costs in the preceding financial period tend to exhibit better quality CSR. In contrast, past research established that firms that are dedicated to pre-defined CSR programs often have reduced overhead costs (**). Hence, the findings in this part could be more consistent compared to past research. However, the baseline is that only OE, which is a control variable, is statistically significant, proving the absence of a relationship or connection between the quality of corporate social responsibility and performance.

6.6.1 CSR Quantity

The testing approach for the dependent variable QTFRAME is as follows:

Table 6: *Summary Results QT*

Test	Test Statistic	Prob > Test Statistic	Results
Breuch Pagan for OLS vs. REM Chi ² (df)	Chi ² (1) 10.31	0.0007	Reject null: REM preferred to OLS
Fixed-Effects vs. Random-Effects Chi ² (df)	Chi ² (12) 11.03	0.5268	Cannot Reject Ho: REM Consistent

As per the table* above the researcher accepted the null hypothesis and upheld REM as the chosen framework. Since the model returns results for the transformed variables, they were converted to the initial state for the purpose of the discussion and interpreted accordingly. The preferred model (FEM) had an R² of 0.379, suggesting a 44.5 explanatory power for the variables in the QTT framework. This result is significantly low, indicating that the model needs to account for 62% of the variation.

Table 7: Model for lnQTFRAME

VARIABLES	REM logQTFRAME	FEM logQTFRAME	OLS logQTFRAME
L.logTA	0.010* (1.671)	0.003 (0.369)	0.0153* (0.00761)
L.invCR	-0.003 (-0.921)	-0.004 (-1.162)	0.000258 (0.00426)
L.logLR	0.043 (0.0357)	-0.651 (-0.489)	0.857 (1.287)
L.logOE	-0.011 (-0.131)	0.037 (0.407)	-0.0238 (0.106)
L.logCTIR	0.067 (0.465)	0.120 (0.780)	-0.0703 (0.168)
L.logOOIA	0.156*** (3.458)	0.140** (2.819)	0.164*** (0.0509)
L.srROE	0.393*** (2.717)	0.321* (2.008)	0.409* (0.205)
L.srPSR	0.088 (0.667)	0.279* (1.757)	-0.0287 (0.153)
L.logZPR	1.311 (0.612)	1.935 (0.987)	0.445 (2.152)
L.logEDRQHD	0.027 (1.426)	0.026 (1.398)	0.0338 (0.0223)
L.logDEWR	-0.067 (-1.269)	-0.053 (-0.991)	-0.0781 (0.0596)
L.logIIVNII	-0.052 (-0.683)	-0.105 (-1.360)	-0.00194 (0.0859)
L.logINVNIN	1.107* (1.756)	0.961 (1.517)	1.188* (0.634)
BANKOWN	0.178*** (3.119)		0.132** (0.0578)
YEARSTAND	0.021 (0.517)	0.034 (0.769)	0.0166 (0.0422)
Constant	2.542* (1.893)	2.375* (1.946)	3.045** (1.355)
Observations	82	82	82
R-squared		0.341	0.445
R ² -Overall	0.379	0.0202	
R ² -Within	0.311	0.341	
R ² -Between	0.414	0.0583	
Var explained ui	0.500	0.671	
Log likelihood			41.94
F-test			31.41
Adjusted R ²			0.319

Robust z-statistics in parentheses *** p<0.01, ** p<0.05, * p<0.10

The results presented various statistical outcomes. Total assets (TA), oOOIA, return on equity (ROE), and INVNIN had a one-period lag of 10%, 1%, and 10%, respectively, which are all statistically significant. TA has a coefficient of 0.010 or a t-statistic of 1.671. Since the TA is a log, one can decipher the coefficient as the elasticity, signifying that a 1% rise in TA corresponds to a 0.010 % rise in the QTT framework. Next, (lag) logOOIA has a coefficient of 0.156 and a t-statistic of 3.458, implying a 0.156 % QTT framework for every 1% rise in OOIA. Next, ROE is a square root, implying that a 1% rise corresponds to a 0.1 rise in QTT

framework in case ROE is small, and a 1% rise corresponds to a 1-2 % rise in QTT framework in case ROE is large. Lastly, (lag) logINVNIN has a coefficient of 1.07 and a t-statistic of 1.756, meaning that a 1% rise in TA corresponds to a 1.107% rise in the QTT framework. Overall, the results indicate a statistically significant relationship between control and socioeconomic variables, indicating a connection between the quantity of disclosures and financial variables.

The research uncovered that a rise in TA increased the quantity of CSR. This finding aligns with past research that uncovered that larger firms tend to dispense more CSR information. Larger firms have more public visibility, which translates to higher expectations of CSR accountability. Hence, they report more to reduce public pressure. Second, the study uncovered that a rise in OOIA, which signifies an increase in revenue efficiency, translates to a rise in the quantity of CSR. This finding is contrary to past research that established that a rise in operating income is negatively correlated with CSR, more so in stable companies with consistent earnings (**). The different results create the need for further research. The thesis uncovered that a rise in OOIA, which means more efficient revenue, translates to a rise in CSR quantity. This finding is contrary to past results that suggested a negative correlation between operating income growth and CSR, more so in stable companies with consistent earnings. Additionally, other research confirmed that OOIA is not related to CSR, while some established that entities with lower assets rank low on CSR scores. The different results create the need for further research.

ROE has a considerable impact on CSR quantity as well. As per the findings, a rise in ROE translates to a rise in CSR quantity. The outcomes also display that the rise in CSR quantity is proportional to the increase in ROE. This result is consistent with past research, which acknowledges a connection between ROE and CSR. Overall, the meaningful results of the three variables prove that traditional financial measures have a considerable impact on disclosure among Islamic banks.

In addition, this thesis expands the existing body of knowledge by considering the influences of socioeconomic variables as well. The results indicate that one of the socioeconomic variables significantly impacts CSR. INVNIN, a short form for Islamic income, is positively related to CSR quantity, which is consistent with past research. It makes sense that entities with larger Islamic incomes report on CSR activities more because they tend to honor CSR obligations of Islam.

Table 8: *Panel Regression Results*

CSR Measures	Variables	Relationship	Sig
QL Frame	Financial Variables		
	CTIR	Negative	No
	OOIA	Positive	No
	ROE	Positive	No
	PSR	Positive	No
	ZPR	Positive	No
	EDRQHD	Positive	No
	DEWR	Negative	No
	IIVNII	Negative	No
	INVNIN	Positive	No
	Control Variables		
	TA	Positive	No
	CR	Positive	No
	LR	Negative	No
	OE	Positive	Yes
QT Frame	Financial Variables		
	CTIR	Positive	No
	OOIA	Positive	Yes
	ROE	Positive	Yes
	Socio Economic Variables		
	PSR	Positive	No
	ZPR	Positive	No
	EDRQHD	Positive	No
	DEWR	Negative	No
	IIVNII	Negative	No
	INVNIN	Positive	Yes
	Control Variables		

TA	Positive	Yes
CR	Negative	No
LR	Positive	No
OE	Negative	No

Table 9: Hypothesis Evaluation

Premise	Decision	Discussion
H1a: There is a positive relationship between CSR quality and cost efficiency among Islamic banks.	Reject H1a Reject H1b	There is no sufficient evidence to indicate that the quantity of CSR and socioeconomic variables are related.
H1b: There is a positive relationship between CSR quantity and cost efficiency among Islamic banks		
H2a: There is a positive relationship between CSR quality and revenue efficiency among Islamic banks.	Reject H2a Accept H2b	
H2b: There is a positive relationship between CSR quality and revenue efficiency among Islamic banks.		
H3a: There is a positive relationship between CSR quality and profit efficiency among Islamic banks.	Reject H3a Accept H3b	
H3b: There is a positive relationship between CSR quality and profit efficiency among Islamic banks		CSR quantity, as assessed by the model, only relates to the Islamic income indicator

H4a: There is a positive relationship between CSR quality and the profit-sharing ratio among Islamic banks.	Reject H4a Reject H4b
H4b: There is a positive relationship between CSR quality and the profit-sharing ratio among Islamic banks	
H5a: There is a positive relationship between CSR quality and <i>zakat</i> performance ratio among Islamic banks.	Reject H5a Reject H5b
H5b: There is a positive relationship between CSR quality and <i>zakat</i> performance ratio among Islamic banks	
H6a: There is a positive relationship between CSR quality and equitable distribution ratio among Islamic banks.	Reject H6a Reject H6b
H6b: There is a positive relationship between CSR quality and equitable	

distribution ratio among
Islamic banks

H7a: There is a positive Reject H7a

relationship between CSR Reject H7b

quality and the directors-
employees welfare ratio
among Islamic banks.

H7b: There is a positive
relationship between CSR
quality and the directors-
employees welfare ratio
among Islamic banks

H8a: There is a positive Reject H8a

relationship between CSR Reject H8b

quality and Islamic vs. non-
Islamic investment among
Islamic banks.

H8b: There is a positive
relationship between CSR
quality and Islamic vs. Non-
Islamic investment among
Islamic banks

H9a: There is a positive Reject H9a

relationship between CSR Accept H9b

quality and Islamic vs. Non-
Islamic income among
Islamic banks.

H9b: There is a positive
relationship between CSR

quality and Islamic vs. Non-
Islamic income among
Islamic banks

6.7 Results and Discussion

The propensity of Islamic financial institutions to concentrate solely on wanting to share profits and risks, which implies that there is a greater focus on the affluent entrepreneurs, neglecting the poor and in need, is demonstrated by more significant outcomes for conventional variables and control variables, as well as for socioeconomic variables related to the profit-sharing ratio (PSR). Profit-sharing financing helps the economy grow, but Islamic banking adheres to the principle that benefits must be shared equitably among all members of society, including the less fortunate and the impoverished. Profit sharing should be one of many goals of Islamic banking. Even though the results indicate that the profit-sharing proportion is significant and that Islamic financial institutions may place a strong emphasis on profit sharing, earlier research has found that the amount of financing for profit sharing is ridiculously small—only about 0.5%—when compared to cost-plus-markup financing. Cost-plus-markup financing is used to meet consumer demands. However, even though it is legal under Shariah law, it does not adhere to the ban against usury (*riba*).

Islamic banks are no different from ordinary banks in terms of their bigger emphasis on cost-plus markup financing, despite their stated intentions to support local economic growth. EDRQHD, which stands for the equitable distribution ratio of Qard Hassan and donation, surprisingly had no bearing on this study's results. This contradicts a prior study that showed an Islamic bank's Qard Hassan level to be highly correlated with its CSRep level (Fitrijanti and Alamanda, 2013). Finally, banks are selling their products under the banner of Islam, which might be perceived as a departure from the religion's original holy objectives. Objectively, Islam should not be used as a tool to boost sales but should be revered as a religion that changes the

lives of its adherents for the better. The study's components that stand out the most are those that relate to workers and clients and do not go against traditional banking notions.

The results of the statistical approaches employed to conduct the current portion of this study project were reported in this chapter. According to the nation in which one is located, Islamic financial institutions tend to differ from other Islamic financial institutions in other nations.

There is some indication that transparency in annual reporting is connected to fiscal and socioeconomic characteristics. In the last section of this thesis, the implications of this research are examined, along with a comparison of the conclusions from the public filings and the CSR reports. Also included are ramifications, restrictions, and areas that need more study.

7. Discussions, Implications, and Conclusions

This thesis's last chapter is broken down into five key sections. The research findings are summarized in the first section, including some commentary. The ramifications and significance of the study findings for knowledge, practice, and policy are covered in the second section. The third section outlines the study's shortcomings, and the last section proposes potential topics for more investigation. The thesis is then finished.

7.2 Research Findings

This thesis examined CSR programs and regional and local benefits in Islamic banks globally. The research approach used to answer the issues was based on a broad conceptual structure of Islamic principles and ideas drawn from earlier literature. Additionally, several socioeconomic factors and conventional economic performance indicators were considered for their relationship with CSR. The next sections address each study topic in turn, but first, the key findings can be summed up as follows:

1. CSR initiatives hold a significant financial and strategic business advantage for Islamic banks when used by these banks within their countries. This advantage consists of a competitive edge over other financial institutions, great customer relations because of their inherently conscientious and equitable business policies, financial stability because of less risk exposure and more conservativeness when approaching issues to do with potential investments and improved financial performance because of the lower risk exposure and increased conservativeness.
2. CSR initiatives hold a significant advantage when used by Islamic banks within their regions or internationally. This advantage consists of accelerated expansion into other countries with Muslim populations, lower international marketing costs because of steady customer bases internationally, and increased access to the best personnel because of these people's favorable attitudes to companies that tangibly demonstrate their conscientiousness.

3. CSR has a close and mutually sustaining relationship with Islamic banking because many of the concepts of CSR are inherently important to the Islamic canon and are thus stressed in Islamic banking. However, this relationship needs to be completed and could be significantly improved by focusing more on non-religious areas of CSR, such as the *planet* paradigm of CSR.

7.3 The Nature and Extent of CSR in Islamic Banks

According to the qualitative and inductive data, there is an overall upward trend in the number and depth of CSR in Islamic banks. Both yearly reports and CSR reports make this clear. The annual presentations and the CSR statements contain certain redundant disclosures. The CSR reports reiterate the disclosures made in the annual reports but go into greater detail, particularly regarding employees, the community, and the environment. The annual reports often emphasize transparency on corporate governance matters, a particularly important part of CSR disclosure (Kim & Lee, 2018), such as senior executives and the Shariah board of supervisors. The CSR reports reveal a greater level of CSR's commitment to social problems affecting the neighborhood where they do business, such as the environment and charitable giving. Similarly, the CSR amount result demonstrates that annual reports include more disclosures pertaining to business organization and activities, as most revelations are on company law and overseeing bankrupt and late-paying clients. While the CSR reports include more information on CSR matters relating to society, their employees, and their clients' purchases of goods and services. Based on these findings, Islamic banks prepare annual reports focusing more on governance than CSR. Although few Islamic banks are producing standalone CSR reports right now, those that do demonstrate that these reports are more CSR-focused than yearly reports. However, a rising percentage of Islamic banks have started releasing standalone CSR reports; hence, this topic will need more research in the future. Both the annual statements and the CSR reports stress the importance of workers. The declaration of the separate classes in the principles or guidelines is evidence that Islamic banking activities follow Islamic principles.

The personnel category is one of the primary foci in yearly and CSR reports when analyzing each CSR subject or area. Annual reports focus more on employees' wages, benefits, and training. The investigation by Aribi and Gao (2010) found that Islamic banks pay more interest on schooling and progression and employee benefits but offer less release of information on true equality and the workplace culture in their annual reports. This result for staff members in the annual statistics is like the study's findings. However, this study discovered that the CSR reports emphasize the welfare of the employees, employee facilities, health and protection, and work-life equilibrium. The emphasis on workers in Islamic banks' annual statements and CSR reports shows that they follow Islamic values, particularly Unity (Tawhid), which promotes brotherhood and forbids discrimination (Choudhury, 2018). The disclosures on equitable compensation, employee development opportunities, a positive workplace culture, and work-life balance reflect guidance from the Sacred Quran and Hadith (Aribi & Gao, 2010). The finding that workers are a primary priority is also in line with Aribi and Gao (2010). They found that all Islamic financial firms report on the employee category, which is among the greatest disclosure evaluated by word count.

The competitiveness in the banking sector is another factor driving the concentration of the company's employees, as stated in Chapter 7. Islamic banks are aware that their staff members are essential resources and must be cared for them to provide greater outputs for the institutions. The Shariah Supervisory Board (SSB) subcategory was also determined to be among the top categories in this analysis, in contrast to a prior study that found the SSB's transparency is still lacking (Wan Abdullah, 2013). However, Wan Abdullah's (2013) study's investigation of Islamic banks by type discovered that domestic Islamic institutions disclose more information on the SSB than international Islamic banks. According to the current study's findings, Islamic banks may be aware that Shariah observance forms the basis of their business practices (Platonova et al., 2016).

Consequently, disseminating knowledge on SSB would increase stakeholder trust in these banks' Islamic banking activities (Gangi et al., 2019). The SSB is important for making sure the

operations comply with Shariah. The topic of mission declarations in annual reports is one of the bottoms three. Many Islamic institutions do not explicitly indicate that they are committed to Shariah in their aim and mission declarations. Only KFHMB integrates Shariah and CSR into the goal and mission declarations for CSR reports. This analysis confirms findings from other studies that corporations with a CSR-related vision or goal tend to release more information (Amran & Haniffa, 2011; Elijido-Ten, 2004).

One of the most prominent categories is ZakatZakat. Because the study's quality criteria recognized quantitative items as having high quality, ZakatZakat ranks within the top spots for disclosure quality. Most of the Zakat disclosure is quantitative, such as Zakat's quantity, computation, and proportional usage (Auliyah & Basuki, 2021). Consequently, this may be the reason for the study's inconsistent findings and indicates that the disclosure quality criterion must be given more thought.

The Policy for Evaluating Clients is one of the top categories in terms of quantity. However, because they rely on globally recognized businesses that adhere to Shariah, most Islamic banks solely evaluate their clients' creditworthiness. It is disheartening that the majority of Islamic banks did not include their clients' screening policy that is related to Shariah principles in the annual statistics, particularly for the clients who are small and medium ventures and who are not mentioned as Shariah-approved companies, except the research study of the CSR reports among some banking institutions where the financial institution provides a comprehensive policy of vetting clients that are connected to Shariah compliance. According to a previous study, the banking business has the propensity to adopt inconsistent Shariah screening standards, categorizing customers into halal and haram categories (Muhammad Hanif, 2019). As a result, this study advises Islamic banks to adopt an accepted Shariah vetting policy rather than only relying on creditworthiness.

The observations of the disclosure under each CSR category raise the question of how well the Islamic banks are reporting, i.e., are they being minimal in their disclosures, are they embellishing, are they highlighting some areas more than others, among others. The monitoring

of CSR practices and performance for specific categories, such as workers and community, appears to be overemphasized by Islamic banks in general. This may be because these categories are closely tied to societal concerns. Given that some Islamic banks are affiliates of conventional banks (Platonova et al., 2016), this research on worldwide Islamic banking is extremely intriguing. As a result, it is debatable if they are just Islamic in appearance while retaining aspects comparable to traditional banking. It begs the issue of whether, as they say, the Islamic bank affiliates of the Western banks adhere to an Islamic mindset.

According to this study, foundation-prepared CSR reports and those of Islamic banks that are branches of traditional banks provide less information on Islamic CSR, especially Islamic value information. This outcome is consistent with earlier research, which showed that conventional banks without an Islamic window and normal banking institutions with Islamic subsidiaries disclose Islamic CSR the least (Wan Abdullah, 2013). The lack of transparency may be due to inherent philosophical differences between the parent firm and its Islamic subsidiaries, or it could be that the Islamic subsidiaries lack an Islamic management philosophy because they were established by the traditional parent banks with capitalist goals. As a result, it is likely that the parent banking institutions do not comprehend the goal of Islamic banking, particularly regarding socioeconomic justice. As a result, they provide less information on Islamic values that Muslim stakeholders consider important. This may be due to Islamic values and philosophy, but it also has important ramifications for CSR and Islamic banking in Malaysia.

7.4 The Relationship between CSR and Financial Performance in the Islamic Banking Industry

In contrast to most of the research on Islamic CSR and achievements, this study utilizes the past year's financial and socioeconomic effectiveness to establish the links with CSR excellence and quantity. The current analysis discovered connections between various performance metrics from previous years and Islamic CSR, which may be related to greater financing becoming accessible (Harun et al., 2020). This study also discovered that it is probable that socioeconomic

achievement and CSR are utilized to draw clients, particularly Muslim stakeholders (Cegliński & Wiśniewska, 2017; Mallin et al., 2014). The findings indicate that the correlations between the amount of CSR, revenue effectiveness, and profit efficiency from the previous year cannot be ruled out. The outcome is in line with a prior investigation that discovered CSR in Islamic banks is strongly associated with profitability (Arshad et al., 2012). The association between the amount of CSR and the preceding year's Islamic revenue compared to non-Islamic income is also acknowledged, supporting the idea that Islamic banks with lower non-Halal income have higher levels of CSR (Fitrijanti & Alamanda, 2013). Overall, it can be said that profitability in Islamic banks and CSR have some link.

However, impressive performance is mostly associated with high disclosures of conventional banking's idea of customer service and with the more well-known Islamic principles of profit and loss sharing and Zakat (Platonova et al., 2016). This shows that the more basic Islamic CSR ideas of eradicating poverty through measures like charitable loans may be seen as too much of a menace to economic outcomes in a liberal global economy as it is in the present day. The next section elaborates on this equilibrium. Additionally, the study discovered that the nature of an Islamic bank's ownership, a control variable, had a considerable impact on CSR quantity, particularly for local Islamic banks. Local Islamic banks tend to interpret Shariah liberally to compete; as a result, they need to be more transparent to elucidate the Islamic goods they provide and to justify such products considering Shariah. Additionally, the liberal strategy is applied in Islamic banking to meet the demands of the nation's diverse population.

7.5 Balancing Social Responsibility and Pursuit of Profits of Islamic Banks

The findings of this study demonstrate that Islamic institutions have tried to be financially and socially competitive. However, despite what Islamic beliefs dictate, their activities still need to focus more on achieving socioeconomic justice (Jusoh & Ibrahim, 2017). Islamic banks are more recent and smaller than conventional banks. Because some of them are under the supervision

of regular banks, the capitalist motive still casts a shadow over them. However, the examination of their CSRep also revealed that Islamic banks are becoming more socially responsible.

Shariah and Islamic principles are the foundation upon which Islamic banks function. In the Islamic CSRep Framework created in this study, Tawhid is the key component that should provide spiritual motivation for CSR commitment (Choudhury, 2018). Shariah impacts management behavior since they must adhere to Islamic values. Islamic banks should demonstrate this managerial conduct when creating and distributing financial and non-financial information. To help their stakeholders, make economic-religious judgments, Islamic institutions that have thorough Islamic CSRep in their regulatory filings and/or CSR reports, as well as detailed financial statements, may be of assistance. Islamic commercial organizations must disclose Islamic CSR initiatives as part of their Uqud (contracts). Although Islam emphasizes a thorough grasp of the numerous contractual connections in human existence and the fulfillment of obligations and encompasses both explicit agreements and implicit contracts (Rashid et al., 2013), the notion of Uqud is comparable to social contract theory (Schouten, 2013).

In commercial organizations, the expression of Islamic principles impacts how some accounting metrics are interpreted and how accounting information is disclosed, including information about the organization's obligation to God (Allah), the community, and the environment (Hassan et al., 2013). As mandated by Shariah, the stakeholders have a right to proper information that might aid them in making decisions and help them to satisfy the three interconnected responsibilities and obligations to God, society, and nature that are a feature of the CSRep Framework utilized in this study.

Muslim stakeholders have the right to demand that Islamic banks provide their information requirements as well as that they operate per Islamic principles. Islamic banks should thus manage their customers' requests and analyze their information needs to be accountable to Muslim stakeholders. Islamic ethical concepts may be used to resolve and balance competing stakeholder demands since any major ethical problem affecting several stakeholders can be

given the highest priority utilizing the Islamic values of justice, trust, and charity (Beekun, 2013). The capacity of stakeholders to make wise economic and religious considerations might be improved with an adequate and thorough set of the information offered by Islamic CSRep, as has been done in other industries (Farmaki, 2019). It could also aid stakeholders in determining if company operations are conducted per Islamic principles. Accordingly, attempting to balance CSR and financial gains in Islamic banks could present a positive image to their interested parties and could draw in more interested parties (Pérez & Rodríguez del Bosque, 2015), which is consistent with the findings of a 2007 study by Dusuki and Abdullah that found that interested parties preferred banks with strong Islamic CSR and financial prestige. CSR initiatives and programs have the potential to enhance financial performance. Then, with greater business and socioeconomic results, Islamic banks may afford to release more CSR data with higher quality.

Therefore, management must be aware that social obligation to their many stakeholders is just as vital as financial performance in determining whether an Islamic bank can survive. Islamic banks have a dual purpose. Thus, their pursuit of profit and social responsibility need not be antagonistic objectives. The dedication to CSR may serve as a tactical instrument to draw Muslim stakeholders, resulting in a long-term lucrative and sustainable company. A strong financial performance makes money accessible to Islamic banks so they may report on their CSR efforts and invest in programs the next year. As a result, CSR, financial results, and disclosure of CSR should be regarded as something other than competing with one another, but as complements.

7.6 Research Implications & Contributions

The research ramifications and contributions of the study, notably to knowledge, practitioners, regulators, and policymakers, are explained in the following sections. It employs extra empirical components not previously employed in earlier research, makes a significant theoretical and

methodological contribution, and offers contextual knowledge of a particular setting by using a multicultural nation setting.

7.6.1 Summary of Major Research Contributions

This thesis makes many significant additions to the body of knowledge and research on Islamic corporate enterprises' CSR reporting. The knowledge of Islamic CSRep gained from this study adds to the knowledge of Islamic reporting practices. Because it demonstrates how Islamic principles generate the commitments expected of Islamic organizations, the existing social system inside which those responsibilities sit, and eventually the demands of Islamic social reporting, the CSR-related explanation this research presents is more comprehensive.

Trying to incorporate a cultural or spiritual aspect may affect attitudes toward reporting, which is essential for developing countries attempting to implement and encourage CSR. The inspection and analysis of public filings and CSR reports in this study include a qualitative component, which adds to the body of knowledge on Islamic banks. Instead of relying just on the word or phrase counts, such an analysis enables a more thorough investigation of the underlying reporting content. The conclusion that employee transparency is crucial for this business and presents a rich field for future inquiry is evidence that results from this examination.

The research considers performance using socioeconomic characteristics as well, which is more in line with the goals of Islamic banks. As a result, it also enhances the body of knowledge on social reporting by offering a more contextualized analysis. Most earlier analyses of the success of Islamic banks have relied on traditional financial metrics like profitability and liquidity. The substantial results for several of these factors suggest the significance of this contribution to literature. The economic success of the previous year on CSRep, a factor that has not been utilized in other studies on Islamic CSR, is a key component of this study's further proof of the connection between financial outlook and the usage of CSR efforts by Islamic banks. Therefore,

this thesis contributes to the body of research and information regarding the regional and global benefits provided by Islamic banks' usage of CSR programs.

7.6.2 Practical Implications

The conclusions drawn from the information presented in this thesis imply that Islamic financial institutions have much work to do to integrate their attention on the global CSR area; as a result, it is crucial to comprehend the practical ramifications of placing an increasing emphasis on the significance of a comprehensive approach to CSR. This research demonstrates how CSR actions and transparency may improve a company's performance in several ways, both domestically and internationally. The research's conclusions may be utilized to develop interventions that will increase the effectiveness of Islamic banks' PR efforts and provide guidance for their CSR disclosure procedures.

7.6.3 Social/Policy Implications

The results of this thesis also make several consequences for policy clear. The findings support policymakers' and regulators' efforts to develop Islamic CSR requirements for Islamic corporate organizations, particularly the global accounting regulatory bodies. The global accounting bodies could adopt stricter and make them obligatory while making certain adjustments to meet regional needs, such as norms that demand clear reporting on environmental concerns. The MASB may also consider offering Islamic CSRep guidelines or recommendations to complement the normal and lax standards, provided they incorporate the Islamic CSRep Framework created in the research. The Islamic CSRep Guidelines would offer recommendations for disclosure methods that consider Islamic concerns. As Shariah-compliant businesses, a few Islamic banks in Malaysia are also registered on Bursa Malaysia. Bursa Malaysia started requiring the publication of CSR data as part of its reporting requirements in 2006. The Securities Commission's (SC) current CSR disclosure practice guidelines follow a traditional CSR framework that relies on Western traditions. The study's findings support the idea that

policymakers and regulators, including the SC and the SC's Shariah Advisory Council, should publish a handbook on the best disclosure procedures from an Islamic viewpoint to motivate Islamic business organizations to improve their disclosure on Islamic CSR.

7.7 Research Limitations

This research has some restrictions, just like every research does. First off, this study can only offer a limited amount of insight into the CSR activities of Islamic banks because the data were only obtained from secondary sources via public filings and standalone CSR reports. Because secondary sources are the only ones used, the material may only partially satisfy the demands of this investigation (Cooper & Schindler, 2003). The authors who established the metrics have also noted that the financial performance measures discovered in this study are limited to items that have been revealed and those that should be published in annual reports (Ariff et al., 2009; Hameed et al., 2004). Despite that, the present investigation is still significant since it examines CSRep and offers a quantitative assessment of Islamic beliefs and principles in CSR.

Second, the content analysis approach employed in this study has certain drawbacks. Subjectivity in the content analysis process and between the coders is the main problem. A rigorous tool is necessary to make accurate conclusions from the text, as per Weber (1988), because content analysis entails grouping numerous words of text into fewer content categories. The instrument must employ valid variables that accurately reflect what it is meant to assess and guarantee that the categorization process is consistent and dependable across various coders (Weber, 1988). The instrument used in this study was mostly designed using published studies like Maali et al. (2006) and CSR criteria from current practices (2010b). The instrument in this study is less subjective because the instruments in earlier studies were created using several strategies to increase their reliability and validity. Third, there may be endogeneity between performance indicators and CSR reporting, challenging this study. Lagged variables were employed in the model to evaluate for endogeneity problems. However, the relevance of the findings can be impacted using lagged factors. The research also ran the

equations without the lagged variables to ensure they were not the problem, showing no significance.

Additionally, multicollinearity has some possibilities. One drawback of this study is that model estimations are cautious since (imperfect) multicollinearity leads to large standard errors (coefficients may be inaccurate). Fifth, the research's findings cannot be extrapolated to other Islamic nations or businesses since they are restricted to the Islamic environment, especially the retail banking sector. The constrained breadth, however, is directly tied to the investigation's consideration of the country's multicultural demands and the liberal methodology adopted by local Shariah experts. Future research is necessary for additional nations and sectors. Sixth, whether CSR reporting should be used as a stand-in for CSR activities is debatable. Finally, the CSR data examined also included references to the parent corporations of the Islamic banks' annual reports. The research also uses CSR data from parent firms and charities that might not adhere to an Islamic worldview. Therefore, it is important to use caution when interpreting the data, especially when comparing banks.

7.8 Suggestions for Future Research

If the management viewpoints were examined to comprehend the impacts on and intentions behind their CSR-related business activities, the conclusions of this study might be strengthened. Future research might benefit from speaking with the corporate management of Islamic banks. Relatedly, a parallel between policed and uncontrolled Islamic banks would make for a remarkably interesting area for further research. To do this, interview the executives and directors to determine whether they truly have full control over their commitments and the extent to which they are held in check by their parent companies, which are commercial banks. Similarly, fieldwork and interviews might focus on Islamic subsidiaries to see if they adhere to the same ideology as their parents or if they truly adhere to an Islamic ideology as claimed.

7.9 Conclusions

Corporate social responsibility (CSR) has become a topic of significant interest to academics and practitioners. Even so, studies on CSR have increased significantly in recent years because of the increasing number of businesses making serious efforts to define and integrate CSR into all facets of their operations due to its favorable effects on business economic success and stakeholder demands that the entities act responsibly during their institutional business activities. Islamic banks are likewise concerned with CSR in a substantial way. Islamic banks are meant to be governed by an Islamic worldview founded on social justice and wellness principles as a corporate institution formed under the purview of Islamic law (Shari'ah).

CSR must uphold society by imagining specific aspirations for socioeconomic justice and being conscious of their accountability for the welfare of the community around them, not only taking part in charitable events and initiatives. Islamic banks are subject to this obligation. Due to their special societal function as financial intermediaries, they have higher CSR expectations than regular banks. The Islamic banks, as members of the global business community, are uniquely suited to design strategies for social change, align their development objectives with national priorities, and work with other organizations on joint initiatives.

This study has been important because it has enabled the researcher and other academicians to understand exactly how the concept of CSR relates to that of Islamic finance being naturally socially responsible. Through this study, the researcher has gained a clear understanding of the national and regional advantages of CSR initiatives in Islamic banks. Two things have been found. CSR initiatives give rise to significant national advantages when used by Islamic banks. Also, CSR initiatives give rise to significant regional advantages when used by Islamic banks. Last, CSR is a part of Islamic finance, and the concepts of CSR and Islamic finance go together, complementing each other when used.

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